

Accountancy

ESTABLISHED 1889

ACCOUNTING · MANAGEMENT · FINANCE

The Super-Profit Method

•
*Proposed Integration of
Incorporated and Chartered Accountants*

•
Maintenance Claims

THE SOCIETY OF INCORPORATED ACCOUNTANTS

JANUARY 1957



TWO SHILLINGS

The Society of Incorporated Accountants

President: SIR RICHARD YEABSLEY, C.B.E., London

Vice-President: EDWARD BALDRY

Secretary: I. A. F. CRAIG, O.B.E.

Deputy Secretary: C. A. EVAN-JONES, M.B.E.

Offices and Library:

INCORPORATED ACCOUNTANTS' HALL, TEMPLE PLACE, VICTORIA EMBANKMENT, LONDON, W.C.2

Members use the designation Incorporated Accountant. Fellows may also use the initial letters F.S.A.A., and Associates A.S.A.A.

Admission to membership is by examination subject to satisfactory completion of articles of clerkship for five years (university graduates three years.) Six years' approved professional experience may be accepted in lieu of five years' articles. Exemption from the Preliminary Examination is granted on production of certain educational certificates.

Articles may also be integrated with full-time study at certain universities. Under this scheme a specific university degree and the professional qualification can be attained in a total period of 5½ years.

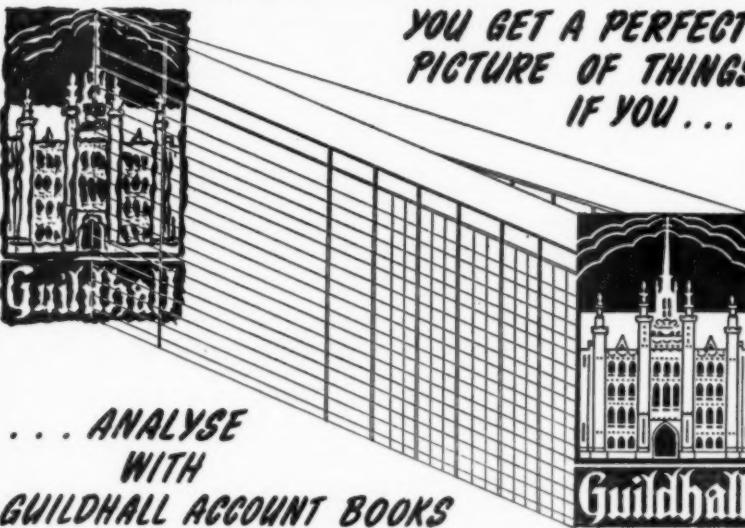
All candidates must pass the Intermediate and Final Examinations, except that graduates under the universities scheme are exempted from the Society's Intermediate Examination.

There are Branches of the Society in Scotland, Ireland, Canada, Australia, South Africa and Central Africa, and District Societies in all parts of England and Wales, Northern Ireland, and India. Students' Societies and Students' Sections operate throughout Great Britain, Northern Ireland, and Eire.

Members of the Society are not allowed to seek professional business by advertisements or circulars.

The editorial and contributed articles and notes in ACCOUNTANCY cover a wide range of subjects and are selected for their general interest. The views expressed are not necessarily shared by the Council of the Society of Incorporated Accountants.





YOU GET A PERFECT
PICTURE OF THINGS
IF YOU...

... ANALYSE
WITH
GUILDHALL ACCOUNT BOOKS

- ★ Huge stocks of well seasoned books always ready.
- ★ Our Catalogue BB30 is yours for the asking.
- ★ Our Systems Dept. should also interest you?

TOLLIT & HARVEY LTD.
THE "RULING" HOUSE
40 GRESHAM STREET, LONDON, E.C.2
TELEPHONE: MONARCH 8571

Report & Account

PRINTERS

DESIGNERS AND TYPOGRAPHERS OF
ILLUSTRATED BALANCE SHEETS.
FINE ART AND COLOUR PRINTERS

DAY AND NIGHT SERVICE

Greenaways
69 OLD BROAD STREET, E.C.2

Telephone: LONDON Wall 7525 (20 lines)

JOHN FOORD
& COMPANY
Established over a century

**VALUERS AND
ASSESSORS**

OF WORKS, FACTORIES
PLANT and MACHINERY

**56 VICTORIA STREET
LONDON, S.W.1**

Victoria 2002/3/4

SUCCESSFUL TUITION

At the
10 HALF-YEARLY EXAMINATIONS
held by the

SOCIETY OF INCORPORATED ACCOUNTANTS

during the
5 years to May, 1956

Pupils of

H. FOULKS LYNCH & CO. LTD.

obtained

84 out of 117 Honours

including

8 FIRST PLACES and 8 SECOND PLACES (Final)

8 FIRST PLACES and 8 SECOND PLACES (Intermediate)

Pass Percentages:

FOULKS LYNCH PUPILS 52%

All other candidates 40%

Apply for Syllabus of Tuition to The Secretary

80A COLEMAN STREET, LONDON, E.C.2

Telephone: MONarch 2487

COMPANY FORMATION

FOR SERVICE AND SATISFACTION
you cannot do better than use one of
the five DAVY COMPANY OUTFITS
coupled with the DAVY SERVICE for
your next company formation.

Write for full details and a draft copy of
Memorandum and Articles of Association,
settled by Counsel, to:

**CHAS. DAVY & CO.
LIMITED**

Company Registration Agents

Head Office

3-11 PINE STREET, LONDON, E.C.1
Telephone Terminus 6267 (5 lines)

City Branch

11 MASON'S AVENUE, LONDON, E.C.3

KING & CO

SURVEYORS, VALUERS & AGENTS

OF

FACTORIES

FOR

RATING, VALUATION & SALE

—

71 BISHOPSGATE, LONDON, E.C.2

London Wall 1961 (4 lines)

Accountancy

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL. ESTABLISHED 1889

VOL. LXVIII (VOL. 19 NEW SERIES)

JANUARY 1957

NUMBER 761

The Annual Subscription to ACCOUNTANCY is £1 1s., which includes postage to all parts of the world. The price of a single copy is 2s., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.

CONTENTS

PROFESSIONAL NOTES

- 1 A Momentous Development
- 2 A Prosperous New Year! (?)
- 2 The Cash Basis for Professional Earnings
- 2 Bankruptcy Statistics
- 3 Recasting the Electricity Industry
- 3 The Rule Against Perpetuities
- 4 Accountability of Nationalised Industries
- 4 Indian Tax Changes
- 5 Financial Control of University Building
- 5 The Hallmarks of a Profession
- 5 Accountants' Right to Tax Work in U.S.A.
- 6 Pioneer Associations of Accountants
4—Belgium

SHORTER NOTES

- 6 Relief for the Hungarians
- 6 More About Registering Restrictive Agreements
- 6 The Chartered Institute of Secretaries
- 6 New Monopolies Commission
- 6 Unqualified Auditors of Friendly Societies

EDITORIAL

- 7 The Proposed Integration

LEADING ARTICLES

- 8 Proposed Integration of Incorporated and Chartered Accountants
- 14 The Financial Side of Management
- 15 The Super-Profit Method—I
- 18 The Economical Canteen
- 19 Cheque Mate

TAXATION ARTICLE

- 21 Some Points on Maintenance Claims

TAXATION NOTES

- 22 Dividend Vouchers
- 23 Agricultural Buildings Allowances
- 23 Timber
- 24 Secrecy
- 24 Tax Avoidance
- 24 *Income Taxes in the Commonwealth*
- 24 Double Taxation—Netherlands Antilles

RECENT TAX CASES

- 25 FINANCE
- 27 The Month in the City
- 28 Points from Published Accounts

LETTER TO THE EDITOR

- 29 PIID

30 PUBLICATIONS

- READERS' POINTS AND QUERIES
- 32 Interpretation of Terms
- 32 Branch or Subsidiary?

LAW

- 33 Legal Notes

THE STUDENT'S COLUMNS

- 34 The Penalty Provisions of the Income Tax Act, 1952
- 35 Branch Accounts

37 NOTICES

- THE SOCIETY OF INCORPORATED ACCOUNTANTS
- 38 District Societies and Branches
- 38 Automation
- 39 The Qualities Expected of Us
- 40 The Need for Contemplation
- 40 A Call for Economy
- 41 Goodwill
- 42 Examinations—May, 1957
- 42 Membership
- 42 Council Meeting
- 43 Events of the Month
- 44 Personal Notes
- 44 Removals
- 44 Obituary

Professional Notes

A Momentous Development

THE YEAR 1957 is an historic one for the Society of Incorporated Accountants and for the accountancy profession as a whole. A development of outstanding importance is proposed—the integration of the Society with the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland. A momentous step is thus in prospect and members of all four bodies are called upon to take a decision that must inevitably cast the shape of the profession for the future.

In brief, the schemes provide that every member of the Society will be eligible for admission to membership of one of the three Institutes of Chartered Accountants. Members of the Society who are in practice in the United Kingdom or Ireland and those who obtained their mem-

bership after qualifying service in the offices of public accountants practising in those countries will, on joining one of the Institutes, be entitled to the designation "Chartered Accountant." All other members of the Society will be eligible for admission to the Institute of Chartered Accountants in England and Wales in a new class of membership with the designation "Incorporated Accountant." Students will be able to complete their training and to qualify as members of one of the Institutes, most of them as Chartered Accountants and the remainder as Incorporated Accountants of the English Institute.

Just before Christmas there was sent to all members of the Society a memorandum explaining the proposals and appending the schemes. Each of the chartered bodies also sent to its members an explanatory memorandum with the

relevant scheme. On pages 8-14 we reproduce in full the memorandum of the Society. We also discuss these extremely important proposals in our Editorial article on page 7.

The special general meeting of the Institute of Chartered Accountants in England and Wales to consider the proposals is to be held on February 19, 1957, at the Royal Festival Hall, London, and the special general meetings of the other two Institutes will be held in March, 1957. The date of the extraordinary general meeting of the Society has not yet been fixed but on account of procedural considerations it cannot be held before the end of April, 1957, at the earliest.

A Prosperous New Year! (?)

THE LAST MONTH of 1956 was crowded economically, as well as politically. But resolution and action on the economic front left a rather hollow sound in greetings of "A Prosperous New Year!" and the exclamation mark is perhaps better replaced by a question mark. Rationing of petrol and a 40 per cent. increase in its price, the cut in supplies of heavier oil for industry, the consequent stepping-up of transport charges, are only part of the cost of events in the Middle East and 1957 will bring a more complete accounting, with a much larger debit balance.

The advance in steel prices, averaging six per cent., was apparently warranted on the pre-Suez calculations of the Iron and Steel Board, which has to allow for self-financing by the industry of a big slice of its planned new capacity. But however inescapable, the higher prices of steel will propel many industrial costs upwards. The new settlement of agricultural prices was sufficiently generous to the farmers to cause them to emit what seem like satisfied grunts. Guaranteed prices for each product maintained at not less than 96 per cent. of the price for the previous year, with a limit of 9 per cent. on price reductions in any period of three years and a floor for the aggregate of guarantees and production grants of 97½ per cent. of that in the preceding year seem to promise for British agriculture, if not a feather-

bed, certainly a well-sprung mattress.

The upshot of all this is that in 1957 we are likely still to be trudging up the rough path of rising prices, and whether the slope will lead during the year to Mr. Macmillan's famous "plateau" at the higher elevation is doubtful.

Meanwhile the credit of \$560 million from the International Fund, with the "stand-by" earmarking of \$740 million if Britain should need it, provides some much-needed sustenance for the poorly gold and dollar reserves. Further nourishment may come from the American Export-Import Bank, which is being approached for a loan of something in the region of \$500 million. If the United States agrees to the waiving of interest on the 1945 loan, about \$100 million will be saved. We do not, for our part, agree with those who say that the application for the waiver should not have been made. It was explicitly provided in the loan agreement that there would be a waiver when justified by the British external accounts, but unfortunately the formula was drawn up in terms that allow each individual statistician to put his own evaluation on it. Not to have asked for the waiver would have deceived no responsible foreigner about the condition of the British economy.

The Cash Basis for Professional Earnings

THE AUDITOR GENERAL says in a recent report that when the source of income has ceased Inspectors of Taxes are meeting with some difficulties in assessing the income of some professional men assessed on the cash basis (*Report of the Comptroller and Auditor General upon the Appropriation Accounts of the Revenue Departments for 1955/56* (House of Commons paper No. 6, H.M. Stationery Office, price 2s. 6d. net)). He asked whether everything possible was done to ensure that income did not escape tax and whether the Inland Revenue considered they had gone far enough in their directions to Inspectors that they should require a professional man, other than a barrister, who is permitted to adopt the cash basis to give a written undertaking that at

regular and frequent intervals he would issue bills for services rendered or work done.

The Inland Revenue said in their reply that the cash basis saved the work of estimating amounts receivable for completed services not yet billed and of valuing uncompleted work. Further, over a period of years there was no major difference between assessable income on the earnings basis and on the cash basis, provided the taxpayer did not allow undue credit to his clients by failing to issue bills at regular intervals. Admittedly, some profits in the professions escaped assessment by the fact that post-cessation receipts were not chargeable to tax, but the loss was less than might be supposed because in the opening years of a professional practice (other than a barrister's) the Revenue insisted on the adoption of the earnings basis and when the taxpayer changed to the cash basis some of his earnings came into assessment twice. The Inland Revenue concluded that it would not be practical to attempt to abolish the use of the cash basis for tax purposes or to modify it substantially merely by administrative action. And so far as concerned barristers, it would not be possible to do so, since a barrister's fees are in the nature of gratuities, not earnings for which he can sue. Thus legislation would be necessary to bring post-cessation receipts into charge—and legislation has since been recommended by the Royal Commission on the Taxation of Profits and Income.

Bankruptcy Statistics

THE NUMBER OF receiving orders, administration orders and deeds made under the Bankruptcy Acts and the Deeds of Arrangement Act in the calendar year 1955 was remarkably near the number made in the two or three preceding years. Liabilities, as estimated by debtors, were somewhat larger.

Year	Receiving Orders and Administration Orders		Deeds of Arrangement	
	Number	Liabilities as estimated (£ million)	Number	Liabilities as estimated (£ million)
1952	2,043	6.7	301	1.3
1953	2,222	7.0	302	1.1
1954	2,176	6.7	315	1.4
1955	2,163	7.0	301	1.8

The occupations in which bankruptcy

was most prevalent were building, farming and company directorship. There were 237 bankruptcies among builders in 1955, 172 among farmers and 97 among company directors. Accountants who went bankrupt numbered 13.

During the year there were heard 568 applications for discharge from bankruptcy. Only three per cent. were granted unconditionally; 21 per cent. were granted with conditions or subject to conditions and suspension; 5 per cent. were adjourned generally or withdrawn; 61 per cent. were granted subject to periods of suspension, usually under one year; and the remaining 10 per cent. were refused.

The figures are given in the *General Annual Report on Bankruptcy for the Year 1955* (H.M. Stationery Office, price 1s. 6d. net).

Recasting the Electricity Industry

SOME BUT NOT all of the recommendations of the Herbert Committee (see ACCOUNTANCY for March, 1956, page 78) for running the nationalised electricity industry on strictly business lines are followed in the Bill now published and explained in *Proposals for the Reorganisation of the Electricity Supply Industry* (Command Paper 27, H.M. Stationery Office, price 4d. net.)

The Central Electricity Board is to be dissolved. A new Central Electricity Generating Board is to take over the job of generating electricity and delivering it in bulk. The Area Boards will have much more autonomy in their functions of delivery to consumers and will be required to account for themselves on commercial lines. A new Electricity Council, not independent of the Boards, as the Herbert Committee wanted it to be, will only co-ordinate and advise them, not supervise them as the committee proposed.

Final responsibility for approving capital plans and borrowing of the Area Boards will be with the Minister of Fuel and Power. Research programmes will also have to receive his approval. He will appoint the chairman and deputy chairman of the Council and the members of the Boards.

The recommendation of the Herbert Committee that electricity tariffs should be geared to costs is not accepted, on the grounds that it would mean abandoning moves to standardise charges. Again, the suggested payment of higher salaries to top-executives is rejected, because it would have to apply to other nationalised industries also (to which the committee would no doubt retort "Why not?").

The new Generating Board will be judged for its success on whether or not it speeds up new generating stations of the orthodox kind, now far too long in the building—and whether the newly planned nuclear power stations are brought into operation according to the accelerated schedule.

The Rule against Perpetuities

THE GENERAL PURPOSE of the rule against perpetuities and of its allied rules against inalienability and accumulations is to prevent settlers, testators and other donors from tying up their property so that it becomes unduly fettered in the hands of the beneficiaries. The public interest is thought not to be served by the making of such restrictions.

If an interest in property is limited, for example, to A for life and then to B for life, and on the death of the survivor to his eldest son and his heirs, the object is to provide that the interest shall vest within a particular time. If an interest is to vest at all the longest time for which it can remain unvested is the period of specified life or specified lives in being at the date of the disposition and 21 years after the end of the last life, with an additional period for gestation, if it actually exists. If a limitation of a future interest could possibly fail on the happening or non-happening of any event the limitation is void *ab initio*. So strictly has the rule been interpreted that any possibility that the perpetuity period may be exceeded, as by the birth of a child to a woman of 65, is fatal to a limitation.

The Law Reform Committee has now reported to Parliament on the rule and its associated rules (Command paper 18, H.M. Stationery Office, price 1s. 6d. net). The com-

mittee recommends that it should be possible to provide, as an alternative, for a period of eighty years. But no other change is recommended in the perpetuity period; that the life or lives in being should be restricted to persons taking a benefit under the disposition is rejected as impracticable. The Committee finds no serious objection to the usual "Royal lives" clause, by the use of which draftsmen stretch the period to its utmost by tying it to the lives of all the issue of a named monarch.

The Committee recommends that events that are only theoretically possible should be disregarded in determining whether the rule is or is not infringed. The void *ab initio* principle should be abandoned in favour of a "wait and see" principle—if events demonstrated that a limitation could not vest within the period, the limitation would become void, and if events showed that it could never vest outside the period, it would become immune from destruction by the rule. The Committee recognises that an advantage of the present rule is that trustees and beneficiaries can immediately know whether a limitation is valid or not. If the "wait and see" principle were brought in, legislation would be desirable to reduce the inconvenience of waiting upon events and, to cover cases not comprehended by legislation, trustees and other interested persons should be entitled to apply to the Court for a declaration of incapacity for vesting within the perpetuity period, or incapacity for vesting outside it, upon the facts existing at the time of the declaration.

No quarrel can be made with these various recommendations or with the suggestion that there should be eliminated the possibility of a woman giving birth to a child once she is 55. The committee, however, further recommends that medical evidence should be admissible on incapacity for child-bearing or procreation at any age. This is treading on dangerous ground.

The committee considers that the rule against inalienability—the maximum period is here the same as the perpetuity period—had particular application to the upkeep of graves

and tombs. It was recommended that it should be made possible to settle a limited sum (such as £1,000) for this purpose, and that ancillary powers to resort to capital should be valid.

The statutory provisions against excessive accumulations are contained in Sections 164 to 166 of the Law of Property Act, 1926, re-enacting the Thellusson Act of 1800. The maximum alternative times for which accumulations can be directed are (a) the life or lives of the settlor or settlors; (b) 21 years from the settlor's death; (c) the minority or minorities of a person living or *en ventre sa mère* at the settlor's death; (d) the minority or minorities of the persons who, if of full age, would be entitled to the income being accumulated. The report points out that a living settlor has no immediate fixed period available to him for which he can direct accumulations. It is unconditionally recommended that it should be permissible to direct accumulations, as an alternative, for a period of 21 years from the date of the settlement. It should also be permissible, the committee holds, to direct accumulations for the period of the minorities of persons living at the date of the settlement, but it is not entirely clear whether or not this period is regarded by the committee as an alternative to that of 21 years from the date of the settlement—whether one of the two periods should be added as (e) to those given under (a) to (d) above, or whether both should be added, as (e) and (f).

Accountability of Nationalised Industries

ANOTHER SELECT COMMITTEE is to be set up by the House of Commons "to examine the reports and accounts of the nationalised industries." It will be remembered that the last Select Committee appointed for the purpose was wound-up because the subjects (as of day-to-day administration and Ministerial responsibility) specifically excluded from its purview left it "insufficient scope" . . . "to be of any real use to the House" (see ACCOUNTANCY for January, 1956, page 6).

There has been much scepticism in the House about whether the new committee will make "accountability"

a reality. It was argued that the subjects previously excluded from the terms of reference were still apparently to be excluded this time—in the words of the Lord Privy Seal, by the "good sense and good will of the committee itself." It did not seem to be altogether clear, however, how far the Government expected good sense and good will to go in delimiting the work of the committee, except that the two excluded subjects we have cited were certainly to be outside its scope. As examples of inquiries it could make, Mr. Butler gave the financial outcome of operations; the working of the industry with reference to the devolution of authority and the techniques of managerial efficiency; recruitment and training of technical and managerial staff; relations with consumer councils and the public; relations with outside industries; and the unremunerative responsibilities of the Boards.

There is material enough in these and similar subjects for a great deal of investigation by the committee but its probing into rather general issues of this kind will, we fear, fail to make the nationalised industries thoroughly "accountable," especially since the committee is not to have the help of any official comparable with the Comptroller and Auditor General, upon whose work the success of the Public Accounts Committee largely depends.

Indian Tax Changes

IT IS IN keeping with the austerity that the second five-year plan will demand of the Indian people that an extraordinary Budget was brought in last month imposing additional taxation.

Recent studies by the Tax Commission, the National Planning Commission and Professor Kaldor of Cambridge University all recommended a tax on capital gains. The Budget now revives, but with important differences, the tax that was imposed on capital gains obtained between April, 1946, and March, 1948. The assessable gain is to be the consideration received on the sale, exchange, relinquishment or transfer of an asset *less* its capital cost written-down by depreciation and adjusted for any balancing charge (or

optionally on the taxpayer, the fair market value at January 1, 1954) *less* also expenditure incurred in the sale or transfer. On a sale considered to be not at arm's length, the consideration will be taken as the fair market value.

Gains from transfers of assets on a compulsory acquisition, dissolution or liquidation and transfers on irrevocable trusts were exempt from the old capital gains tax but are now liable. There is a general exemption from the tax on gains up to five thousand rupees (say £375).

The capital gain is to be included in the taxpayer's other income and the tax will be payable, by companies, at the rate of the income tax and, by other taxpayers, at the rate on their other income, *plus* one-third of the gains. Capital losses incurred after April 1, 1956, may be set-off against gains in subsequent years without a time limit.

The Budget also introduced a company supertax for the first time. The tax is at the rate of two annas in the rupee (12½ per cent.) on the face value of bonus shares (capitalisation issues) issued by companies during the previous year; at the same rate on that part of dividends in the range of 6 per cent. to 10 per cent. of the paid-up capital; and at three annas per rupee on that part of dividends exceeding 10 per cent. The rates are to be stepped up in the next fiscal year. Since the dividends are reckoned on paid-up capital, not capital employed, a company that has capitalised its reserves will be better placed than one that has left them uncapitalised.

Both the Planning Commission and Professor Kaldor urged a widening of the concept of income. Following their ideas, the Finance Bill proposes that depreciation allowances and development rebates should be added back to the taxable income of companies unless a prescribed percentage of profits is deposited with the Government or the Reserve Bank. The deposits are to be refundable when required by the depositor for purposes approved by the Government, which in considering applications for release will be assisted by a Board of Referees.

Accounting problem:

**HOW COULD MICHELIN
DISCOVER THEIR
OVERALL STOCK POSITION
AT A MOMENT'S NOTICE?**

28 LEDGERS, one for each depot *plus* one for Head Office, had to be referred to before Michelin could discover the overall position for any one of their 900 items of stock. As the demand was increasing, this meant depots got dangerously low in certain items and costly last-minute transfers often had to be made.

Like many firms, big and small, faced with this kind of problem, they called in Burroughs.

SOLUTION. In co-operation with Michelin, our representative evolved a complete system, from the collecting and summarizing of original data to the storage of the final records; this system was based on six Burroughs Sensimatics. All movements of stock—despatches, sales, transfers—are recorded by the Sensimatics in such a form that the machine Supervisor can find out *within seconds* the stock position for any size of tyre. Total in the Company's possession, quantity in Central Stores, total out at depots, total in individual depots—all available at a glance. The result is more effective allocation of new stocks, fewer emergency transfers, and infinitely quicker returns of monthly figures.

HOW BURROUGHS MIGHT BE ABLE TO HELP YOU

How many of your staff are engaged in figure-work? How long does it take you to get the figures you want? Are the figures always accurate when you do get them?

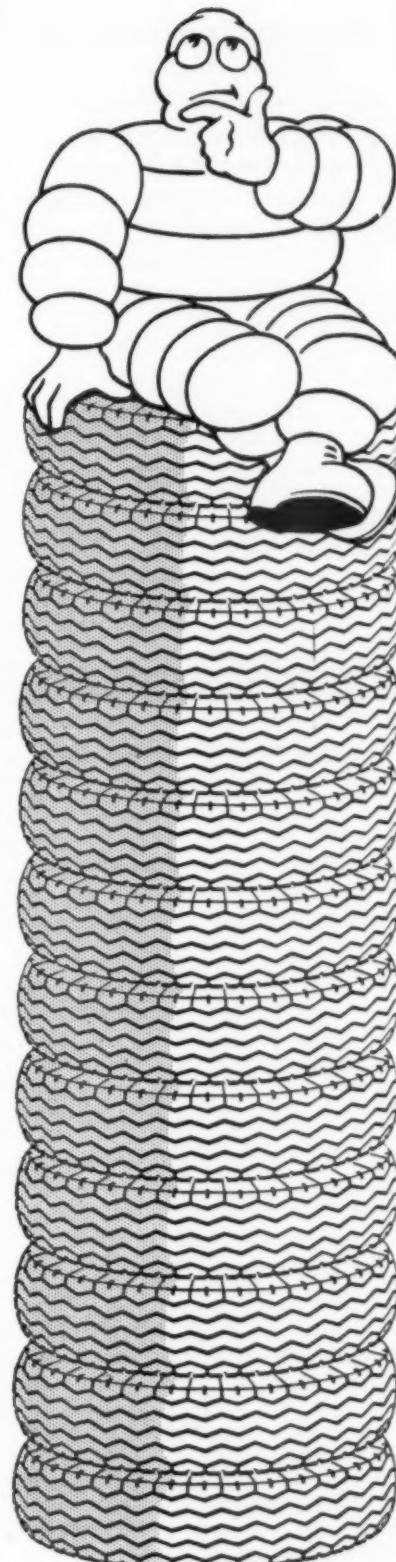
Burroughs Accounting Machines will do this figure-work for you without tying down a lot of staff *and* do it far more speedily and far more accurately. Burroughs make machines suited to every size of business and you have everything to gain by consulting them.

They will advise *against* buying one of their machines if they don't think you need one. Their advice, of course, is free. The local Burroughs office is in the phone book, or you can write direct to London if you prefer.

Burroughs

The most experienced manufacturers of Adding, Calculating, Accounting, Type-writer-Accounting, Statistical and Microfilm Equipment.

BURROUGHS ADDING MACHINE LTD., 356-366 OXFORD STREET, LONDON, W.1



METROPOLITAN COLLEGE

SPECIALISED TRAINING
for the examinations of the
INSTITUTE AND SOCIETY

Association of Certified
and Corporate Accountants
Institute of Cost and Works
Accountants
Chartered Institute of
Secretaries
B.Sc.Econ. & LL.B. (Lond.)

**FELLOWSHIP IN
MANAGEMENT
ACCOUNTANCY**

The Metropolitan College provides
expert postal tuition for the above
examination, which is held by the Insti-
tute of Cost and Works Accountants.
Full particulars on application.

Established 1910

At the C.A. and S.A.A. Examinations Students of the
Metropolitan College have gained more than

9,500 SUCCESSES

and more than 350 HONOURS, Prizes and Medals

Including

56 FIRST PLACES

38 SECOND PLACES

65 Third and Fourth Places

★ ★ ★

★ WRITE TODAY for a free copy of the College "Accountancy" Prospectus
to the Secretary (A3), METROPOLITAN COLLEGE, ST. ALBANS, OR CALL:
30 QUEEN VICTORIA STREET, LONDON, E.C.4. (Telephone: City 6874).

METROPOLITAN COLLEGE

ST. ALBANS

ANNUITIES NEW RATES

Scottish Equitable annuity rates are to-day
extremely attractive. Enquiries are invited.

Examples per £100 Purchase Money

Male life aged 65	-	-	£10	9	10
" "	"	70	-	12	10
" "	"	75	-	15	8

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

28 ST. ANDREW SQUARE, EDINBURGH, 2

13 CORNHILL, LONDON, E.C.3

The supertax and the broadening of the concept of taxable income are stated to be aimed at discouraging the redistribution of profits and at regulating the employment of retained profits.

Financial Control of University Building

THE VEXED QUESTION of whether capital expenditure by the universities should be more directly under the control of Parliament, which supplies between 90 per cent. and 100 per cent. of the funds, was bypassed by the appointment of the Gater Committee (although Parliament has since returned strongly to the attack). This committee, appointed by the University Grants Committee with Sir George Gater as chairman, has now reported on how the universities arrange contracts out of non-recurrent grants, and on their methods of recording and controlling the expenditure (*Methods Used by Universities of Contracting and of Recording and Controlling Expenditure*, Command Paper 9, H.M. Stationery Office, price 2s. net). Among a large number of recommendations which, while designed to ensure economy, mainly concern the details of contracting procedure, there are two of a more specifically financial nature.

The first of these recommendations is that the planning and execution of building projects should be the concern of a small committee, which "should have the benefit of available business and financial experience" from outside the university. Committees that at present have no appointed or co-opted members of the kind should, the report urges, make every effort to recruit them. The University Grants Committee accepts this recommendation.

The other recommendation refers to the subsidiary financial records of the progress of larger building projects. The committee makes no recommendation on the precise form of the records, which must be adapted to the accounting methods of the universities—and these methods vary widely. But there should be recorded:

(a) The contract sum less the provision for contingencies;

- (b) the allowances for provisional and prime cost sums and the actual costs incurred against them;
- (c) the estimated effect of variation orders to date, together with a note of their nature and the authority for them;
- (d) details of each architect's certificate;
- (e) details of bills for professional fees;
- (f) details of each invoice for goods not covered by the architect's certificate;
- (g) the total amount of grant approved and the amounts applied for and received to date.

The University Grants Committee comments that it is considering the recommendation.

The Hallmarks of a Profession

THREE HALLMARKS DISTINGUISH the accountancy and legal professions—service to the community, primarily of an intellectual character in some important sphere of human activity; a system of training fit to produce high professional competence; and the acceptance of a corporate standard of conduct to ensure that the profession does its job not only efficiently but honestly. These hallmarks were posited by Lord Thomson, the Lord Justice Clerk of Scotland, speaking recently at the annual dinner in Edinburgh of the Institute of Chartered Accountants of Scotland.

While for the second hallmark the system of training must give technical efficiency, it must also have a wider aim. The accountancy profession touched the life of the community at too many points to be content with the production of narrow technicians. The pure specialist was a barbarian! Worse, he might be a menace if he strayed beyond his limited sphere. The aim of sound training must be to broaden the mind, to provide a proper background. A true profession dealt ultimately not with figures or things but with people.

Lord Thomson was replying to the toast of the Institute, proposed by Mr. G. I. Stewart, its President. Other speakers were Mr. James T. Dowling, Vice-President of the Institute; Sir John Spencer Muirhead; Sir John L. Somerville, Past President of the Institute; Mr. A. S. H. Dicker, President of The Institute of Char-

tered Accountants in England and Wales; and Bailie Matt A. Murray.

Accountants' Right to Tax Work in U.S.A.

THE RIGHT OF accountants to represent clients before the United States Treasury in preparing tax returns and in settling tax liabilities was challenged in the case of *Agran v. Shapiro*, which began in 1954. Despite a pronouncement by the Treasury purporting to leave accountants with the right they had held for some 40 years in every State in the Union, the case has finally been settled against Mr. Agran, the accountant. But the American Institute of Accountants and the Californian Society of Certified Public Accountants, which had been backing Mr. Agran, have now dropped the case, having decided not to appeal to the United States Supreme Court.

The American Institute and the Californian Society do not acquiesce in the decision in the inferior court. But the case seemed to them, on semi-technical grounds, to fall short of being one on which the highest court of the United States should be asked to rule on the position of Certified Public Accountants practising in tax matters. Moreover, legal advice was that the case did not in any broad sense create new law. Accountants need not regard the case as a precedent to stop them from conducting a tax practice, as heretofore, in California or in any other State. If another challenge is made to prevent a C.P.A. from doing so, the issue may have to go to the courts again, perhaps without the semi-technical difficulties of the *Agran* case. But, says the *Journal of Accountancy* (the organ of the American Institute of Accountants), there is an "improving climate of relations between the legal and accounting professions," which in the long run "can and must learn to live together in tax practice without stepping on each other's toes."

Accountants in the United Kingdom may congratulate themselves that there is no stepping on the toes of the legal profession in tax practice here—and no stepping on accountants' toes by solicitors. But solicitors

have been known to wonder exactly what happened two generations or so ago to cause them now to be quite out of range.

Pioneer Associations of Accountants

4—Belgium

AT THE OPENING of the twentieth century, the profession of public accountant in Belgium had not managed to secure official recognition. Since 1831, however, the Belgian Law Courts, when called upon to adjudicate on matters involving complicated accounts, had relied upon the services of *experts-comptables*, men well-versed in accountancy matters. These accountants were appointed by the magistrates. They were also engaged by trading companies to draw up accounts. Sometimes they were appointed to verify the accuracy of company accounts, but their appointment in this capacity seems to have been more or less optional. But gradually there was established a custom whereby the expert accountant was named as *commissaire* or auditor of joint-stock corporations. He was also often appointed by the commercial Courts to act as liquidator or, on the bankruptcy of an individual, to advise the *avocat* who had been officially appointed by the Court as *curateur* or trustee.

The general position, however, was far from satisfactory. Accounting standards were low and, by 1903, the commercial community seems to have felt the need for something better. In that year the first Belgian association of expert accountants came into being. Founded "in the interests of accuracy and justice," it was named the *Chambre Syndicale des Experts-Comptables* and functioned under the aegis of the Brussels Chamber of Commerce, though it was an independent body.

As with some other continental societies, members were divided into two classes: (a) *experts-comptables* with at least ten years' professional experience, and (b) *comptables* of the rank and file. Elections were made in general meeting of the *Chambre*, after a committee had inquired into the professional competency and characters of the candidates.

The position in Belgium has altered greatly since 1903, and today no fewer than twenty-four different associations of accountants exist in that small but densely-populated country. Before April, 1950, each body followed its own independent course; the organisation was roughly on a regional basis. Since that date all but one of the two dozen accounting bodies have been affiliated to the *Collège National des Experts-Comptables de Belgique* (in Flemish, the *National College der Accountants van Belgie*).

The changes made in 1950 had the dual objective of approaching some degree of unification in the profession, and of providing it with common standards of competence and skill. Each of the associations still remains a separate entity, but all voluntarily submit to the strict rules of the *Collège National* which, in effect, exercises a disciplinary control over all qualified Belgian accountants.

Shorter Notes

Relief for the Hungarians

While there can hardly be any necessity to commend to our readers the cause of the various funds for the relief of the Hungarian sufferers from tyranny, it must be emphasised that there is a continuous and a growing need of money. Any of the following funds will gratefully receive gifts and turn them to good account in the relief of distress, the rendering of medical help or the rehabilitation of refugees:

Lord Mayor of London's National Hungarian and Central European Fund, Mansion House, London, E.C.4;
British Council for Aid to Refugees, 9 Grosvenor Crescent, London, S.W.1;
Hungarian Relief Fund, 5 Arundel Gardens, London, W.11;
British Red Cross Hungarian Relief Fund, 14 Grosvenor Crescent, London, S.W.1;
Save the Children Fund, 12 Upper Belgrave Street, London, S.W.1.

More about Registering Restrictive Agreements

As we have previously reported (see our December issue, page 429), particulars of agreements of the classes so far "called up" have to be furnished to

the Registrar of Restrictive Trading Agreements by the end of February. Broadly, he requires four copies of all documents constituting an agreement and four copies of a memorandum containing any part of an agreement not hitherto put into writing. There must also be sent a printed form certifying that the documents or memorandum contain all the terms of the agreement and all the parties to it. Forms of certificate and information about the form to be used in particular circumstances can be obtained from the Registrar's offices in London and Edinburgh, the Keeper of the Register in Belfast, all offices of the Federation of British Industries, branch offices of the National Union of Manufacturers and all Chambers of Commerce affiliated to the Association of British Chambers of Commerce.

The Chartered Institute of Secretaries

In our December issue (page 479) we announced the election as President of the Chartered Institute of Secretaries of Sir Frederick Alban, C.B.E., F.S.A.A., F.C.I.S. Other new officers elected include Mr. Ernest Long, F.S.A.A., F.C.I.S., as a Vice-President, and Mr. S. M. Rix, F.S.A.A., F.C.I.S., as Treasurer. Our congratulations are extended to them all.

New Monopolies Commission

The Monopolies and Restrictive Practices Commission has been reconstituted as the Monopolies Commission, under the chairmanship of Mr. R. F. Levy, Q.C., and with seven part-time members. The Commission has narrower scope than the old body: it will inquire only into the exercise of monopoly, when a third or more of the supply of a particular product is from one supplier, and into other arrangements not registrable under the Restrictive Trade Practices Act.

Unqualified Auditors of Friendly Societies

"I regret that I again have occasion to comment on the failure of some unqualified auditors of friendly societies and branches to carry out proper audits. It should be obvious that any person invited to act as auditor of a registered society or branch who does not feel able to carry out a proper audit should refuse to act. The services of qualified accountants holding appointments as approved auditors appointed by the Treasury are available to all such societies whether they are required by law to have approved auditors or not."—The Chief Registrar of Friendly Societies in his report for the year 1955 (H.M. Stationery Office, price 4s. net).

EDITORIAL

The Proposed Integration

IN the seventy-second year of its life the Society of Incorporated Accountants reaches a grand climax. It is proposed that the Society should now be integrated with the three bodies of Chartered Accountants. By this proposal, its separate existence will come to an end. But the final act will be in furtherance of the objects for which the Society throughout its long history has steadfastly stood—the best interests of Incorporated Accountants in particular and of the accountancy profession in general. This scheme of integration is, indeed, the culmination of years of endeavour towards two aims—making membership of the Society confer the highest possible qualification of esteem and improving the standards and standing of the accountancy profession as a whole. The first of these two achievements will have been consolidated by the entry of the Society members into one of the Institutes of Chartered Accountants, and a signal step will have been taken towards the attainment of the second aim by a measure of unification of the profession.

The schemes of integration, agreed by the Councils of the Society and of the three Institutes after many months of painstaking discussions by Council members and by officials, are reported and explained in detail in other pages of this issue. There is no need to repeat here how of the 11,000 members of the Society more than 8,240 will be entitled, while entering one of the three Institutes, to take the designation of Chartered Accountant, with the initial letters it carries.

The proposals mean that some 9,000 Incorporated Accountants in all can be Chartered Accountants, for already some 640 are members of one of the chartered bodies as well as of the Society. What of the other 2,000 members of the Society? All of them will be eligible for membership of the Institute of Chartered Accountants in England and Wales, with all the privileges and advantages that membership bestows, save that they will not hold the designation Chartered Accountant and will not be able to take articled clerks. Instead they will belong to a new class of membership of the English Institute, with the description Incorporated Accountant. Thus they will continue to have the valuable designation, with its distinctive initial letters, that they have always had and will lose nothing on that score. To say so much is not to deny that it is a cause of great regret that the schemes with the Institutes do not permit of all Incorporated Accountants, without exception, becoming Chartered Accountants. It was to that end that the negotiators on the side of the Society worked, but it was in the result abundantly plain that the chartered bodies would not agree. Of the 2,000 members of the Society concerned, rather more than 1,100 obtained their membership after service in the treasurers' offices of public or local authorities. But it is an inflexible principle of the char-

tered bodies that all those who hold the title of Chartered Accountant should have been trained in a practising accountant's office. Again, the Institutes have always insisted that the qualifying service of their entrants should have been at home: the remaining 900 of the 2,000 Society members performed their service overseas. However, nearly all of the 900 also hold the chartered designation of an oversea body. Moreover, of the 2,000 members, 1,700 will each hold the right later to become, on satisfying specified conditions, a Chartered Accountant of one of the three Institutes. And, to repeat, all 2,000 will be eligible at once to become members of the English Institute as Incorporated Accountants—and there surely can be no doubt that they must, on balance, gain.

There are at present nearly 9,000 students of the Society. Their position is entirely safeguarded by the schemes. The great majority of them, now serving as articled or bye-law candidates in practising accountants' offices, will complete their service and on passing the examinations—to be run for some years by the Institutes on the syllabus of the Society—can become Chartered Accountant members of one of the Institutes. A small minority on passing the examinations will become Incorporated Accountant members of the English Institute.

Under the schemes, after the transitional period the route into the accountancy profession as a bye-law candidate of the Society will be closed. If it were to be difficult or costly to obtain articles, as it was in the earlier days of the Society, there would here be an objection to the schemes. But the times have changed. Articles are now generally obtainable without a premium—indeed, the articled clerk usually receives a reasonable salary. A serious obstacle to the obtaining of articles has, nevertheless, remained till now: the restricted total of articled clerks. However, an integral part of the proposals is that the Institutes are to raise the limit on articled clerks who may be taken by a member, and are to make the limit more flexible. As a result there will be ample opportunity for all suitable young people of good education to qualify.

The schemes will give the Institutes an aggregate membership of approximately 38,000 and will enable each Institute to speak with authority for an overwhelming proportion of professionally trained accountants in its country. It is further proposed that there should be set up a joint committee of the three Institutes. This Committee will enable them to co-operate closely, both in the administration of the integration schemes and in general matters concerning the profession. The measure of unification in the profession that will have been achieved will go far to remove confusion in the public mind at the multiple designations now in use. The national interest will have been served and the status of the profession enhanced.

Proposed Integration of Incorporated and Chartered Accountants

Memorandum to Members of the Society of Incorporated Accountants

Preliminary

1. The Council of the Society has given much thought to the future of the accountancy profession in the United Kingdom and the Republic of Ireland and to the position of the Society throughout the world. In the opinion of the Council it is desirable to unify, as far as is practicable at the present time, the profession of accountancy in the United Kingdom and the Republic of Ireland, and in recent months discussions have taken place between the Council of the Society and the Councils of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland. Agreement has now been reached on proposals for the integration of the Society with these Institutes.

2. You will, in due course, receive a notice convening an extraordinary general meeting of the Society to consider these proposals, but full details are now being given to members in order that there will be ample time for the consideration of the matter before the meeting.

3. The proposed schemes for the integration of the Society with the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland are set out in Appendices A, B and C respectively [not now reproduced]. The purpose of the memorandum is to explain the main provisions of these schemes and to summarise the reasons which lead the Council to recommend them to members. Reference should, however, be made to the appendices for the full provisions of each scheme.

Admission of Members to the Institutes

4. The proposals, if approved, will result in all members of the Society becoming eligible for membership of the English, Scottish or Irish Institute. The arrangements in relation to the Institute of Chartered Accountants in England and Wales are as follows:

(a) Members of the Society who:

- (i) are now engaged in practice as "public accountants" in England and Wales, or
- (ii) qualified after articled or bye-law service with a "public accountant" practising in England and Wales,

will be eligible for admission as members of the

Institute of Chartered Accountants in England and Wales with the right to describe themselves as Chartered Accountants.

Attention is particularly drawn to the definition of "public accountant" in Clause 1 (f) of the Scheme set out in Appendix A which reads as follows:

"public accountant" means a person (i) who is a member of a body of accountants which is established in the United Kingdom and which is at the date of publication of this scheme recognised by the Board of Trade for the purposes of Section 161 of the Companies Act, 1948, and (ii) whose main occupation consists of practice as an accountant and the offer of his services as such for reward to members of the public generally.

The expression "England and Wales" used in the scheme and in this memorandum includes the Channel Islands and the Isle of Man.

- (b) Fellows of the Society qualified as above to join the Institute as Chartered Accountants who have been continuously in practice as "public accountants" for at least five years at any time will be eligible for Fellowship of the Institute and to use the initials F.C.A. Other members of the Society who are similarly qualified will be able to join the Institute as Associates and to use the initials A.C.A., but after they have completed five continuous years in practice as a "public accountant" (whether before becoming an Associate or after) they will be eligible for election as Fellows of the Institute. All such members of the Society on joining the Institute will discontinue the description "Incorporated Accountant" and the use of the initials F.S.A.A. or A.S.A.A. There is one exception in the case of a Fellow of the Society who joins the Institute as an Associate but is ineligible for Fellowship of the Institute. He may at his option continue, so long as he desires and is not practising as a "public accountant," to describe himself as an "Incorporated Accountant" and to use the letters F.S.A.A. If, however, he subsequently enters practice he will be obliged to adopt the description "Chartered Accountant" and the designatory letters A.C.A.



Told you so!

Miss Monroe's excited,
She's highly delighted,
At news that's already the talk of the town...
LN's! LA7's!
They're new and . . . good heavens!
Their quality's UP and their prices are DOWN!

The new Monroe LN's and LA7's—
simpler, faster, smoother than ever—
further increased their lead among
all-purpose adding-calculators.

So many businesses find that they do
all that is needed. So many people like their intelligent
design, stream-lined styling, and 'gunsmith'
quality. In reducing the prices of these machines
we banked on a big demand. Miss Monroe says "Told
you so . . ." and she's dead right!

Monroe

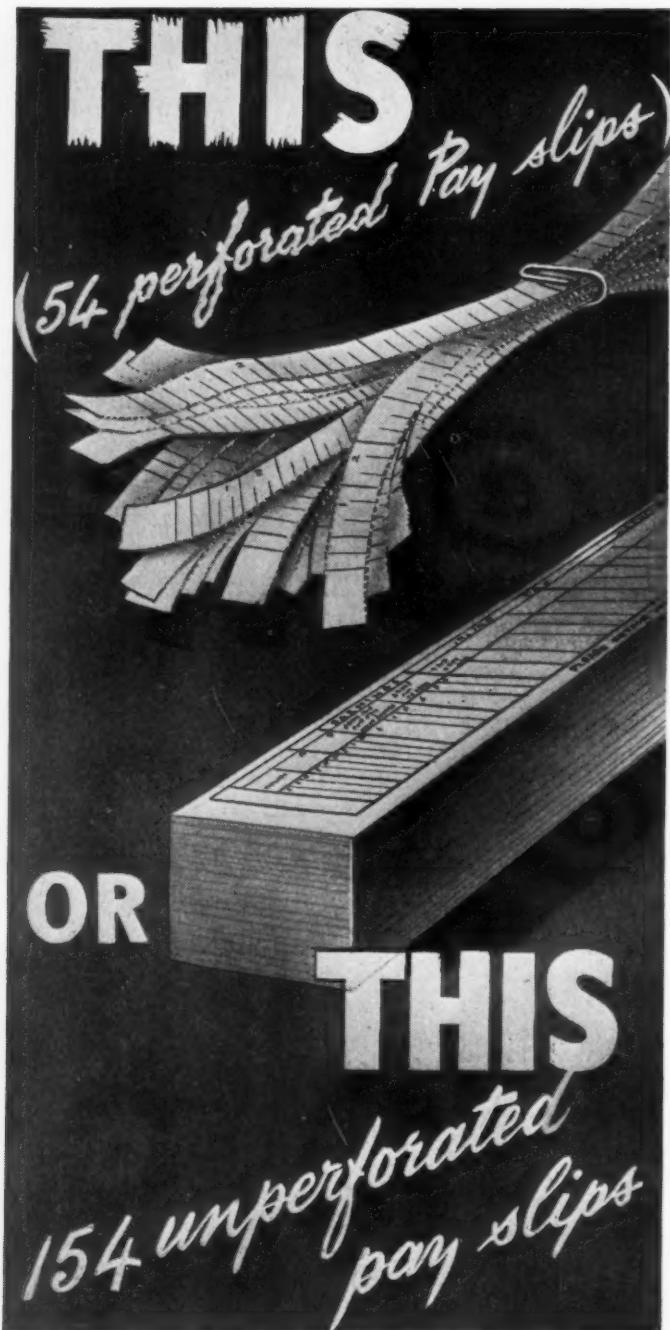
Monroe LA7-160

It's new . . . it's got all the latest
improvements . . . it's precision-built to
give smooth and dependable performance . . .
Test it for yourself! and it only costs £145.



Please write for full specifications

MONROE CALCULATING MACHINE COMPANY LTD., BUSH HOUSE, ALDWYCH, LONDON, W.C.2. COVENT GARDEN 0211



Why waste time handling perforated Pay Slips and tearing up perforations? This irritating task is unnecessary with the 'Anson' Payroll Machine, incorporating the exclusive Anson Magazine which holds 154 unperforated Pay Slips at one loading. The alignment of all forms is fully automatic and revolutionary. The most up-to-date Payroll System in existence, producing Tax Card, the whole Wage Sheet, Receipt and Pay Slip details in one operation, is—

ASK FOR DETAILS
GEORGE ANSON & CO LTD
OFFICE SYSTEMS
58 SOUTHWARK BRIDGE
ROAD, LONDON, SE1
Telephone: WAT. 3746-9

ANSON

VALUATION AND SALE OF
BUSINESSES, RESTAURANTS AND HOTELS
PROPERTY INVESTMENTS

CHRISTIE & CO.

London &
Home Counties | 7 BAKER STREET
LONDON, W.1
Tel. WELBECK 0022

Sussex | 15 PALMEIRA MANSIONS
HOVE
Tel. 38936

Hampshire &
South West | JACEY HOUSE
THE LANSDOWNE
BOURNEMOUTH
Tel. 7247

Devon &
West Country | ST. STEPHEN'S HOUSE
CATHERINE STREET
EXETER
Tel. 59371

Pensions for the Self-Employed

The Institution's contracts have these features:

1. Flexibility—Single Premium and Annual Premium contracts are offered.
2. With or Without Profits.
3. A With Profit paid-up policy continues to participate in profits.
4. Reversionary Annuities from commencement.
5. Reversionary Annuities by sacrifice at pension age.

For Mutual satisfaction consult:

NATIONAL PROVIDENT INSTITUTION

FOR MUTUAL LIFE ASSURANCE

— Established 1835 —

48 GRACECHURCH STREET, LONDON, E.C.3

Telephone: MANsion House 1481

(c) Members of the Society who are not qualified under (a) above will be eligible for admission as "Incorporated Accountants" of the Institute and will continue so to describe themselves and to use the designatory letters F.S.A.A. or A.S.A.A. as may be appropriate. "Incorporated Accountants" of the Institute will have all the rights and privileges and be subject to all restrictions and provisions which under the Charters and Bye-laws of the Institute relate to its members generally but will not, as such, be entitled to receive any further persons for service under articles or otherwise for training as Chartered or Incorporated Accountants. There will thus be, for the time being, three classes of members of the Institute in England and Wales, namely, Fellows, Associates and Incorporated Accountants.

(d) Members of the Society who are admitted to membership of the Institute as Incorporated Accountants under (c) above will be eligible to become Associates of the Institute and to use the designation "Chartered Accountant" if they have, as members of the Society or of the Institute, three years' continuous experience, either as a partner or as an employee, in the office of a member of the Society or of a Chartered Accountant, in either case practising as a "public accountant" in England and Wales, provided they have passed the Final examination of the Society (not being its Modified or Special Final examination held in the Union of South Africa or in Southern Rhodesia), or the Final examination of the Institute. Such experience may have been gained at any time since admission to membership of the Institute.

5. The arrangements for the admission of members of the Society to the Scottish and Irish Institutes are set out respectively in Clause 3 of the Scottish scheme and Clause 2 of the Irish scheme. Although there are minor differences, it will be seen that the general effect of these provisions is that admission to those Institutes will depend on the individual either being now in practice or having done his qualifying service in the country concerned, except that under the Scottish scheme an individual who is resident in Scotland will be eligible even if he has done his qualifying service elsewhere in the United Kingdom but such qualifying service must have been with a Chartered or Incorporated Accountant. The definition of "public accountant" in these schemes is similar in effect to that in the English scheme. Those admitted to the Scottish and Irish Institutes will be entitled to describe themselves as "Chartered Accountants" and to use the designatory letters used by the members of those Institutes.

The Scottish and Irish Institutes do not propose to create a new class of membership of "Incorporated Accountants." But all members of the Society who are not eligible for membership of one of the Institutes as Chartered Accountants will be eligible for membership of the English Institute as Incorporated Accountants and provision is made by the Scottish and Irish schemes for Incorporated Accountants of the English Institute to

become Chartered Accountants of the Scottish or Irish Institutes (as the case may be) on satisfying requirements corresponding to those described in paragraph 4 (d) above (see Clause 9 of the Scottish scheme and Clause 2 (c) of the Irish scheme).

Oversea Members

6. Members of the Society overseas who do not become members of the Scottish or Irish Institutes under the arrangements referred to in paragraph 5 will all be admissible to membership of the English Institute; but, unless they were trained in the offices of practising accountants in England or Wales, they will be admitted as "Incorporated Accountants." Such members, except in the case of those who were admitted without examination under Article 13 of the Society's Articles of Association or those who qualified for membership of the Society by passing the Modified or Special Final examinations held in the Union of South Africa or Southern Rhodesia, will become eligible to use the designation "Chartered Accountant" and, if appropriate, to become members of the Scottish or Irish Institute on satisfaction of the condition mentioned in paragraph 4 (d) relating to the completion of three years' continuous practical experience in England and Wales or (as the case may be) the corresponding conditions contained in Clause 9 of the Scottish scheme or Clause 2 (c) of the Irish scheme.

Articled Clerks and Bye-law Candidates

7. There are special provisions in the schemes for the protection of articled clerks and bye-law candidates of the Society who have completed or are in the course of their term of service at the time when the schemes come into effect. Any articled clerk who is articled to a member of the Society practising as a "public accountant" in England and Wales will be able to continue his articles if his principal becomes a Fellow or Associate of the English Institute or will be eligible to be articled to a Fellow or Associate of the English Institute for the remainder of his service. Provided the whole of the service of such articled clerk is with a "public accountant" practising in England and Wales and he passes the appropriate examinations of the Society held in England and Wales or those of the Institute he will be eligible for admission to the English Institute as a "Chartered Accountant."

Bye-law candidates of the Society serving with Chartered or Incorporated Accountants practising as "public accountants" in England and Wales may enter into articles for the remainder of the period of their qualifying service. If, however, they have done at least five years of their qualifying service by the time the scheme becomes effective they will be able to complete their qualifying service instead of entering into articles so long as that qualifying service has been, and continues to be, service with a Chartered or Incorporated Accountant practising as a "public accountant" in England and Wales. In order to avoid hardship the Council of the Institute will be empowered to apply this principle to bye-law candidates who have done less than five years of

their qualifying service in cases where the Council considers it proper to do so. Upon passing the appropriate examinations of the Society held in England and Wales or those of the Institute, these bye-law candidates will be eligible for admission to the English Institute as "Chartered Accountants."

Articled clerks and bye-law candidates of the Society who are now registered as such but who would not be eligible under the foregoing provisions to become Chartered Accountants will, if they complete their service and pass the appropriate examinations of the Society (wherever held) or those of the Institute, be eligible for admission to the Institute as "Incorporated Accountants" on the same conditions as other Incorporated Accountants of the Institute.

Those who have completed their service as articled clerks or bye-law candidates of the Society before the scheme becomes effective and who have passed or pass the Final examinations of the Society held in England and Wales or the Final examination of the Institute will be eligible for admission to the Institute as Associates if their service has been wholly with a Chartered or Incorporated Accountant practising as a "public accountant" in England and Wales or as Incorporated Accountants in any other case.

The schemes with the Scottish and Irish Institutes contain similar provisions to those mentioned above except, of course, that in these cases there is no provision for membership as Incorporated Accountants and the necessary qualifying service must be in the country concerned or, in the case of Scotland, with a member of the Scottish Institute practising elsewhere in the United Kingdom.

Provision is made by all the schemes for the continuation for a limited period of the Society's examinations, but under the English and Scottish schemes those who have not already passed or been exempted from the Intermediate examination of the Society will be required to sit for the Final examination of the appropriate Institute.

The regulations of the English and Irish Institutes are to be altered so as to enable every Chartered Accountant in practice in England and Wales or Ireland to have four articled clerks and, in addition, the Councils of the Institutes will have a discretion in appropriate cases to increase this number on application by any member. No such alteration is required for the Scottish Institute, except that it is proposed to remove the present restriction on the number of apprentices which may be taken by its members practising in the United Kingdom but outside Scotland.

The Council of the English Institute has emphasised in its Explanatory Memorandum that the standards which a member is expected to maintain in the training of his articled clerks will in no way be reduced by this change. The Institute already has and will retain power to refuse to register articles where it is not satisfied that adequate training facilities exist. The Council of the English Institute has also stated that applications for the exercise of the discretionary power to permit a member to take

more than four articled clerks will be scrutinised closely and regard will be had to the number of Chartered Accountants who are partners of the applicant member's firm or who are members of its staff and to any other relevant circumstances.

Further Recruitment by the Society

8. As will have been seen from the preceding paragraphs all articled clerks and bye-law candidates of the Society being trained in the offices of Chartered or Incorporated Accountants practising as "public accountants" in England and Wales, Scotland or Ireland who are registered as such up to the time when the schemes become effective will be eligible to become members of one of the Institutes. It must however be emphasised that other articled clerks and bye-law candidates must have been registered as such prior to the publication of the schemes (i.e. December 20, 1956) if they are to become eligible for admission as Incorporated Accountants of the English Institute. It follows that articled clerks and bye-law candidates registered after that date must serve their qualifying service with Chartered or Incorporated Accountants practising as "public accountants" (as defined by the schemes) in one of the above countries if they wish to take advantage of the schemes. The Council regards it as most important that this fact should be explained to anyone who desires to commence articles or bye-law service after December 20, 1956.

It has also been agreed that the regulations governing the conditions for obtaining a certificate of exemption from the Society's Preliminary examination should be brought into line with the corresponding regulations of the English, Scottish and Irish Institutes. The necessary bye-laws to this effect have been brought into force by the Council as from December 20, 1956. Copies of the Institute's regulations governing exemption from the Preliminary examination can be obtained on request from the Secretary of the Society. The Council will have power, in cases of hardship, to grant exemption from the Preliminary examination under the old conditions. This power will be exercised for the next month or two in cases where the Council is satisfied that arrangements were made for taking the articled clerk or bye-law candidate concerned before December 20, 1956, and that it would be unfair to require him now to take the Preliminary examination.

District and Students' Societies

9. Members of the Society admitted as members of the English Institute either as Chartered or Incorporated Accountants will be eligible for membership of the Institute's District Societies. Similarly, all Society students will be eligible to become members of the Institute's Students' Societies. Similar arrangements will be made in Ireland and (so far as concerns students) in Scotland. There are no District Societies in Scotland. The Council of the English Institute is asking its District and Students' Societies to increase the size of their committees and co-opt to those committees a number of those who are now members or students of the Society.

Finance

10. On the liquidation of the Society a resolution will be submitted to the members for the transfer of its surplus assets to the English Institute. The three Institutes have agreed that the English Institute will make payments to the Irish and Scottish Institutes out of any assets of the Society which may be transferred to the English Institute on the liquidation of the Society. These payments include 40 guineas for every member of the Society admitted to the Scottish Institute (which has an admission fee of 40 guineas) including members who in the first instance became Incorporated Accountants of the English Institute. In the case of the Irish Institute (which has an admission fee of 10 guineas) there will be payment of 20 guineas for each member joining.

11. No admission fees will be payable by members of the Society on admission under the scheme to membership of any of the three Institutes. In the case of students of the Society who on qualifying join one of the Institutes, the appropriate admission fee will be payable, but in the case of the Scottish Institute the Council of that Institute will have power in cases of hardship to remit up to £31 10s. 0d. of the admission fee. In the case of students of the Society who in the first instance become Incorporated Accountants of the English Institute and who subsequently join the Scottish or Irish Institute as Chartered Accountants their admission fee will be paid to the extent of £10 10s. 0d. by the English Institute on their behalf. No admission fee will be payable on an Incorporated Accountant of the English Institute becoming an Associate of the English Institute.

The annual subscription rates for the Institutes and the Society are shown in Appendix D [not reproduced].

12. The English Institute has undertaken to offer suitable appointments to members of the Society's staff or to pay compensation. It is hoped that the existing benevolent funds can be amalgamated and this matter is being pursued with the Society's legal advisers.

Council

13. The membership of the Council of the English Institute will be increased from 45 to 55 and the 10 additional seats will be filled by members of the Council of the Society selected by mutual agreement between the Councils of the Institute and of the Society. In addition to the normal number of members of the Council of the Institute who retire annually by rotation, two of the Society's members will retire each year (being eligible for re-election) and, if for any reason the vacancy which they create is not filled, then the number of members of the Council of the Institute will be reduced accordingly. In this way the Council of the Institute will eventually be reduced again to 45 in number.

All members of the Society admitted to membership of the English Institute either as Chartered or Incorporated Accountants will be eligible for election to membership of the Council of the Institute.

In the case of the Irish Institute the membership of the Council will temporarily be increased from 18 to 22 by the co-option of four members of the Society who are

admitted to the Irish Institute. These members will be selected by agreement between the Councils of the Society and the Irish Institute. They will be subject to retirement by rotation in the same way as the existing members of the Irish Council, but the first four vacancies to arise on the Council thereafter (other than those arising from retirement by rotation) will not be filled so as to reduce the Council to its present number of 18.

There are no similar provisions in the Scottish scheme.

Publications and Research

14. The journal ACCOUNTANCY will be taken over by the English Institute and will in future be published under its auspices. The work of the Incorporated Accountants' Research Committee will be transferred to the appropriate Committees of the Institutes, and the libraries in London and elsewhere will be amalgamated.

Joint Standing Committee

15. The Scottish and Irish Institutes are joining with the English Institute in forming a Joint Standing Committee to co-ordinate policy on matters arising in connection with the administration of the schemes and to continue in being for the purpose of considering any matter of common interest which may be referred to it by any of the constituent Institutes.

Future Use of the Designation Incorporated Accountant

16. The Society and the English Institute have taken the opinion of leading counsel on the question whether, after the scheme has become effective, the Institute will be able to restrain the use by unauthorised persons (i.e. those who are neither members of the Institute nor members of the Society as at the date on which the scheme takes effect) of the description "Incorporated Accountant" and the designatory letters F.S.A.A. and A.S.A.A. as effectively as the Society has been able to do hitherto. Counsel have advised that the question involves a point of law which is not at present covered by authority and that the position cannot therefore be said to be as strong as at present. Counsel consider, however, that if the Institute were to bring proceedings to protect the description, such proceedings ought in principle to succeed, particularly if a high proportion of the members of the Society who would qualify for membership of the Institute as Incorporated Accountants decide to join the Institute.

It is hoped that all members of the Society will support the schemes. Any member of the Society who does not become a member of the Institute (or of the Scottish or Irish Institutes) will, in recognition of the fact that he possesses professional qualifications at least equivalent to the qualifications required for admission to membership of the Institute as an Incorporated Accountant and that he has been accepted by the Institute as a person entitled to apply for membership, be entitled to continue to describe himself as an Incorporated Accountant and to use the designatory letters F.S.A.A. and A.S.A.A. as appropriate.

Procedure

17. The purpose of this memorandum, as already mentioned, is to give members of the Society plenty of opportunity to consider the terms of the proposed schemes before meetings are convened to put them into effect. Informal meetings of members will be held at convenient centres in the near future to give members any further information they may desire.

The next step will be the convening of a meeting of the English Institute for the approval of the scheme between that Institute and the Society and for making the necessary alterations to the Charter and Bye-laws in order to carry it into effect. Assuming that the appropriate resolutions are passed meetings will then be held of members of the Scottish and Irish Institutes for the approval of their schemes with the Society and for the alteration of their constitutions.

An extraordinary general meeting of the Society will also be held at which proposals will be submitted for the alteration of its Articles with a view to ensuring that all members will have an adequate opportunity of voting on the schemes. This particularly affects oversea members.

After all these meetings have been held a further extraordinary general meeting of the members of the Society will be convened to consider the scheme and, if approved, to place the Society in voluntary liquidation. Arrangements will be made for a poll to be taken by post after the meeting irrespective of a vote by a show of hands at the meeting.

The Scheme Considered

18. It is impossible to forecast accurately how the membership of the Society will be distributed between the Institutes, but the following approximate estimates have been made based on the position as at June 30, 1956:

	English Institute	Scottish Institute	Irish Institute	Total
Incorporated Accountants who are already Chartered Accountants	589	33	17	639
Eligible for admission as Chartered Accountants	7,794	93	354	8,241
Eligible for admission as Incorporated Accountants—				
(a) in the United Kingdom and the Republic of Ireland	1,140	—	—	1,140
(b) overseas	925	—	—	925
	10,448	126	371	10,945
Membership of the Institutes as at June 30, 1956	19,112	5,947	986	26,045
	29,560	6,073	1,357	36,990
Deduct: Incorporated Accountants already Chartered Accountants (as above)	589	33	17	639
Integrated membership	28,971	6,040	1,340	36,351

19. Because of the emphasis placed by the Institutes on the principle that qualification for membership should be based not only upon practical experience but also upon service under articles with a practising Chartered

Accountant, it is unavoidable in any integration plan that the Society's practice of accepting candidates who have not served under articles, but otherwise have had the necessary practical training as bye-law candidates, should come to an end. In this connection, it should be recalled that in recent years the Society has altered the regulations governing bye-law service in that all such candidates are now required to register with the Society at a minimum age of 17½ years before entering upon their period of six years' qualifying service, and that continuance of registration is dependent upon the Council being satisfied that the standard of training is in accordance with the Society's requirements. Practices in regard to the payment of premiums for articles have also changed considerably in recent years, and entry to the profession by way of articles is therefore much freer to-day than it was in the past.

20. The Councils of the Institutes share the Society's determination that opportunities of qualification should continue to be given to young men and women of the right character, ability and education. It is for this reason that the English and Irish Institutes propose to extend the number of articled clerks which their members may take, and in this way there will be opportunity for the replacement of the Society's recognition of bye-law service by the grant of articles. Members of the Scottish Institute practising in Scotland are not subject to such rigid restriction in regard to the number of articled clerks they may take provided the required standard of training can be given, and the proposals of the English and Irish Institutes will place the system of articles of all three Institutes broadly on the same basis.

21. The features of the proposals which have presented the greatest difficulty to the Council of the Society in the course of the negotiations are these:

- (a) Although the proposals provide for the admission into the Institutes of all members of the Society, such admission will be divided into two classes—members who are to be designated "Chartered Accountants" and Members who are to be designated "Incorporated Accountants";
- (b) Recruitment will in future be confined to those trained under articles in the offices of Chartered Accountants practising in the United Kingdom and the Republic of Ireland. Although the position of all articled clerks and bye-law candidates registered on December 20, 1956, is protected, there will be no further recruitment of candidates from Government or Local Government service, or from the offices of practising members overseas.

22. Whilst all members of the Society may become members of one of the Institutes it is a matter of concern to the Council that the Institutes have not been able to agree that all the Society's members should be admitted as Chartered Accountants. The position of the 925 members of the Society who were trained overseas has already been mentioned in paragraph 6. There are also some 1,140 members in the service of public and local authorities who will be admissible to the English Institute as "Incorporated Accountants." From its earliest days the

THEY SAY—

- 'It will interest you to know that only recently I have had a query from my . . . office and another from. . . . Neither point is mentioned in any text-book but within ten minutes of taking out my own 'Index to *Taxation*' I had the answer to both—one was in an issue of April 1942 and another in November 1953. It is amazing the number of obscure points of practice one can find in this way (I am always doing it) but these two are outstanding examples.'—(15550.)
- 'I can hardly conceive anyone who is called upon to deal with taxation matters being able to do so effectively without the assistance of *Taxation*. I personally have found that by keeping the back numbers of *Taxation* the detailed information which can be found on almost any point is better than a text-book.'—(16712.)
- 'We indicate to you the value of the correspondence columns of *Taxation*. The amount involved in our case was comparatively large, and we should like to say how much we appreciate the benefit derived from your correspondence columns.'—(16504.)
- 'I find your service a very useful inquiry bureau and consider the annual subscription should be increased as it has remained at the same level as when I first joined!'—(17235.)
- *Mr Harold Wilson, M.P., in the House of Commons:* 'There is a valuable weekly journal called *Taxation* and I hope that the Chancellor reads it regularly—if he does he will learn a great deal from it.'

THEY KNOW—

Personal experience has taught them the value of

TAXATION

EDITED BY RONALD STAPLES

Subscription: £3 12s 0d year, £1 17s 6d half-year, including postage Price 1/3 Weekly

ORDER FORM

TAXATION PUBLISHING COMPANY LIMITED, 98 PARK STREET, MAYFAIR, LONDON, W.1

Please send TAXATION for six months/one year £ : s d enclosed.

Name

Address

Date

ACCY. 1/57

£3 12s 0d year, £1 17s 6d half-year, including postage



THE 'CENTURION' POLICY

for Accident and Illness Insurance

PROVIDES benefits in respect of prolonged disablement. This scheme has been specially designed for members and staffs of business and professional firms who are not financially embarrassed by incapacity of short duration.

You should have particulars of this attractive policy for your special connections. Prospectus on request.

THE CENTURY INSURANCE COMPANY LIMITED

Branches all over the British Isles. Head Offices at 7 Leadenhall St., London and 18 Charlotte Sq., Edinburgh

CHARLES DOUBBLE LIMITED

COMPANY REGISTRATION AGENTS, COMPANY
PRINTERS, SEAL ENGRAVERS AND STATIONERS

COMPANIES REGISTRY

Information and assistance rendered to the profession in all matters relating to the Formation, Incorporation and Winding up of Companies.

New Companies Registered.

Mortgages, Charges and Debentures Registered.
Annual Returns, Resolutions and other documents stamped and filed.

Searches made and Office Copies obtained.

COMPANY PRINTING

Draft Memorandum and Articles of Association for a Private Company adopting with modifications Table A of the Companies Act, 1948, settled by Alexander P. McNabb, Barrister-at-Law (Lincoln's Inn). Post Free 3/9.

Memorandum and Articles of Association, Resolutions, Debentures, Share Certificates, Dividend Warrants, etc., printed with care and expedition.

All Forms under the Companies Act, 1948, supplied.

SERVICE

We welcome your enquiries in all the above matters, assuring you of our very best and prompt attention. Estimates free.

10 BELL YARD, TEMPLE BAR, LONDON, W.C.2

Telephone:
HOLBORN 0375

Established 1845
DOUBBLE, ESTRAND LONDON

CITY OF EXETER

£5.15.0% now offered for Mortgage Loans
of £500 upwards.

£5.10.0% for Loans £100 and under £500.

Periods up to SEVEN YEARS.

5³/₄ % LOANS 5³/₄ %

Full Trustee Security. Repaid at Par.

Mortgages free of cost to Lenders.

Commission to Bankers, etc.

APPLY:
THE CITY TREASURER
3 SOUTERNHAY WEST
EXETER

Society has, subject to certain prescribed conditions, recognised service in the Treasurer's Department of public and local authorities in the United Kingdom and the Republic of Ireland. Members so recruited have done magnificent work for the Society which has always had most cordial relations with the Institute of Municipal Treasurers and Accountants, two of whose members have regularly served on the Society's Council. The Council has made the strongest representations in this matter, but it is, and always has been, a fundamental principle of all three Institutes that service in a practising accountant's office at home must be an essential condition of membership. After prolonged negotiation it became clear that the Institutes could not abandon this principle in the integration scheme and that wider proposals would not be acceptable to their members. It must be recognised that in negotiations involving so many persons and principles of such importance, it is not reasonable to expect that any one participating organisation will secure acceptance of all its suggestions. The Institutes have all made considerable concessions in order that the scheme now formulated might command and deserve the widest possible acceptance. It should be noted that—

- (a) All members of the Society admitted to the English Institute as "Incorporated Accountants" will be entitled to all the rights and privileges of membership (including the right to vote at meetings and to be elected to the Council and District Society Committees) except that of taking articled clerks.
- (b) Those admitted to the English Institute as "Incorporated Accountants" will be entitled to practise as such and to use the initial letters F.S.A.A. or A.S.A.A. and will retain their existing rights under Section 161 of the Companies Act 1948 to undertake company audits. Except in the case of those admitted under Article 13 or those who have only passed the Society's Modified or Special Final examination held in the Union of South Africa and Southern Rhodesia they will also become eligible to use the Chartered designation in the circumstances set out in paragraph 4 (d).
- (c) Members of an oversea body of Chartered Accountants recognised by the English, Scottish and Irish Institutes are already fully entitled to enter into partnership in firms of Chartered Accountants in the United Kingdom or the Republic of Ireland without prejudice to the firm's continued use of the Chartered designation.

23. It is not easy, after a long, useful and honourable history extending over seventy years, to contemplate the liquidation of the Society as a separate body or the adoption of different professional designations in the future for members who in the past have enjoyed a designation in common. Nevertheless, after anxious deliberation, and on the footing that all members of the Society will be eligible to become members of one or other of the Institutes, the Council is of the opinion that the scheme is desirable in the interests both of the public and of the accountancy profession. In reaching this conclusion the Council has been influenced by the con-

siderations referred to in the succeeding paragraphs.

24. The activities of the Society and the Institutes have for many years past coincided to a notable extent and there are similar examination standards and methods of training. Of the candidates who passed the Society's Final examinations in 1955 232 (44 per cent.) were trained in the offices of Chartered Accountants and another 50 (10 per cent.) were trained in firms in which there was at least one Chartered Accountant partner. A recent analysis of the Society membership shows that of the 3,113 members in practice as principals in the United Kingdom and the Republic of Ireland, 974 (31 per cent.) are themselves also Chartered Accountants or are in partnership with Chartered Accountants. Of the 2,048 members employed by practising accountants in these countries, 1,586 (77 per cent.) are employed by firms in which there is at least one Chartered Accountant partner. There are many firms in the United Kingdom and the Republic of Ireland in which there are Chartered and Incorporated Accountant partners.

25. The Society and the Institutes have worked together in concord for many years past in pursuit of the same principal objectives and joint action has been taken on many occasions. The integration of the Society with the Institutes is therefore a natural evolution which will enable the views and interests of the accountancy profession to be represented with far greater authority than has formerly been possible.

26. The multiplicity of accountancy bodies has caused, and is still causing, confusion in the minds of the public. It can only be in the public interest and to the benefit of the standing of the profession in public esteem that a high proportion of all practising accountants should practise under the same title and be subject to common standards of etiquette and discipline. For the same reasons, the scheme should also assist the accountancy profession in its recruitment problem, where it is in competition with other professions and with industry.

27. The Council also feels that the interests of the Society's members who are not in practice but who hold positions in industrial undertakings will not be prejudiced by the schemes of integration. On the contrary, they should be enhanced. It is true that those industrial members who are Fellows of the Society will become Associates, not Fellows, of the English or Irish Institutes although they may elect, as they will be free to do, to continue to describe themselves as "Incorporated Accountants" and to continue to use the initial letters F.S.A.A. This is unavoidable because the existing regulations of these two Institutes do not permit any member to become a Fellow except after being in practice for not less than five years; this problem does not arise in Scotland because there is no Fellowship. On a wider view, however, a fusion of the "industrial" members of the Institutes and of the Society must be expected to lead to a fuller recognition of the status and value of the work upon which they are engaged and to an accelerated study of the principles and techniques upon which it is based.

28. Yet another consideration is that the work of many of the District Societies and Students' Societies will gain

in scope and usefulness as a result of their expanded membership.

29. The proposals include the formation of a Joint Standing Committee of the Institutes to co-ordinate policy on matters arising on the administration of the schemes and to consider other questions of common interest which may arise thereafter. It is believed that this step may be the beginning of a new era in co-operation between accountancy bodies, both here and abroad, and that it may go far to remove complaints that the multiplicity of accountancy bodies reduces the influence and status of the profession.

30. The Council accordingly recommends all members to support the proposals and in due course to record their votes in favour of the schemes.

R. E. YEABSLEY,
President.

*Incorporated Accountants' Hall,
Temple Place,
Victoria Embankment,
London, W.C.2.*

December 20, 1956.

The Financial Side of Management

Controlling Distribution Costs

LAST MONTH (pages 481-486) we summarised a number of the papers read at the recent National Management Conference of the British Institute of Management held at Harrogate. In another of the papers Mr. C. A. Edwards, Managing Director of S. C. Johnson & Sons Ltd., observed that the costs of distribution probably amounted to £5,000 million a year. Controls over these costs were in their infancy compared with those normally exercised over production and distribution costs.

Every day the businessman must make decisions on such matters as the sales force, advertising and discounts. These decisions should be based on facts. Unfortunately, budgets and standards for distribution and sales activities gave rise to difficulties that did not exist in production cost accounting. Analyses should be concentrated on the type of problem that recurred most frequently in the particular business.

A control system could be used in many ways to attack waste. Costing was a much more reliable guide to the number of salesmen required than the usual yardstick of sales volume. When sales declined, it might be necessary to increase rather than reduce the number of salesmen. There should be an objective analysis of the number and type of accounts, with standards of order sizes or order-call ratios. Warehousing costs per ton handled varied according to location, product and equipment: here it was much easier to fix standards and determine the most economical methods.

Distribution cost analysis was not an economy drive—the answer to a marketing problem might turn out to be an increase in sales expenditure—but a technique for helping to get the best value for money spent. It must be remembered that there was no necessary relationship

between sales expenses and sales. And statistics could never eliminate the risk-taking functions of management.

Profits from Planned Maintenance

The Hon. John Grimston, M.P., Managing Director of Enfield Rolling Mills Ltd., spoke of the experience of his company in maintaining a heavy engineering plant.

After the introduction of bonuses for the production workers it was clear that the maintenance workers' earnings would have to be increased. This could have been done by paying merit money to those who were considered good tradesmen, or by linking the skilled men's bonus to that earned by the production workers; but it was decided to introduce a full scheme of stop-watches and work cards. This had obvious disadvantages, but it was felt that it would provide the basic information on which to build a planned maintenance scheme, that a large part of the additional cost would be recovered in better working, and that it would provide earnings that went both up and down as a result of the men's own efforts.

Mr. Grimston then explained the working of the scheme and how these advantages were realised in practice.

Planned maintenance was based on the bonus scheme records of frequency of break-down and replacements, regular inspections and preventive work being carried out at appropriate intervals when the machines could best be spared.

The financial results were considered satisfactory. The company was certainly no worse off from the point of view of cost per item of work done. More important was the advantage of planned and consistent output, making it possible to quote accurate delivery dates and to keep them, thus building up a reputation of great value.

This article falls into three main parts. First, the super-profit method of valuing businesses is described and some ambiguities are discussed. Then the significance of the idea of super-profit is examined. A distinction is drawn between the intangible assets in the wider sense and "true" goodwill, and in the second instalment of the article, to appear next month, the distinction is further considered. Finally, next month the super-profit method is questioned in the light of the preceding discussion.

The Super-Profit Method—I

by H. C. Edey, Reader in Accounting at the London School of Economics and Political Science

MY AIM IN writing this article is to examine the so-called super-profit method sometimes used for valuing businesses. (Perhaps the best-known exposition is contained in P. D. Leake's *Commercial Goodwill*). The importance of the subject in relation to estate duty valuations does not require emphasis. The discussion has, however, relevance in any circumstances involving the valuation of a business.

Any valuation implies that the valuer must put himself in the position of *someone*. In estate duty valuations, for example, the valuer is required (by Section 7 (5) of the Finance Act, 1894) to assess "... the price which ... such property would fetch if sold in the open market at the time of the death ..." An open market valuation implies, I think, that the final value must be fixed by reference to the highest offers likely to be made in all the circumstances and making, where relevant, any assumptions required by law. (Such an assumption is, for example, that imposed under the authority of *C.I.R. v. Crossman* [1937] A.C.26, arising from restrictions in the articles of a company on the transfer of shares.) The problem of the valuer is usually to consider how a prospective buyer would arrive at his maximum offer price. It has long been clear that on a sale in the open market a buyer will often be prepared to pay a sum in excess of the figure obtained by (a) summing the separate marketable values of all the assets that could be sold if the business were brought to an end and its organisation disbanded, and (b) deducting from this sum the amount of the business liabilities. It has been convenient to call the excess "goodwill." That "goodwill" in this sense often exists will, I think, be generally accepted. From this fact, however, a further, more doubtful, proposition has been derived—namely, that the offer price of a purchaser can in general be obtained by ascertaining separately (a) the value of each asset, and (b) of goodwill, summing these, and deducting the liabilities. This procedure, the super-profit method of valuation, I shall now examine.

Description of the Super-Profit Method

Let us start by setting out the usual formula for calculation of the value of a business by the super-profit method. This can be written:

$$V = A + \frac{P-rA}{j}$$

where:

V is the value of the business;

A is the "value of the net tangible assets";

P is the "net maintainable profit";

r is the "normal rate of return" appropriate to the business, expressed as a decimal or fraction (that is, 10 per cent. is written .1 or 1/10);

j is the "appropriate rate for capitalisation of the super-profit" (see below);

$\frac{P-rA}{j}$ is the value of the "intangible assets."

I shall now discuss this formula and the significance to be attached to the words in inverted commas.

The first step is to define A , the "value of the net tangible assets." The tangible assets are usually defined as all the saleable assets of the business other than goodwill, patents, trademarks and, presumably (though this is seldom mentioned), the value of unpatented but saleable knowledge. The last three types of assets are usually lumped in with goodwill for valuation purposes and are included in goodwill in the wider sense of the word,* namely, "total value of the business *less* value of tangible assets." From the value of the tangible assets the business liabilities are deducted to give the net tangible assets, liabilities being here taken to exclude loan capital and it being assumed, for the time being, that the business is financed by equity capital only.

I have not found in the texts I have read any unequivocal instructions on how the value of the tangible assets is to be obtained. As, however, the problem is that

* What goodwill in the narrower sense is will be discussed later.

of assessing what someone would pay for the business, and this problem has no connection with conventional balance sheet preparation, I cannot see that past cost can have any relevance. Nor does it seem to me that past cost (as reduced by depreciation) adjusted to a current replacement "value" has significance in this context: a bygone is no less a bygone because it has been corrected by a price index.

To a person about to buy a business the only figures to which it seems possible to attach significance in allotting values to individual assets are either (a) saleable value in the best market available, or (b) the present value that that person sets on the expected returns that can be imputed to the use of the assets in question in the business.

The second of these possible figures—the present value of the returns of the asset in the business—seldom has, however, a clear meaning, for in general it is impossible to point at a given business asset and say that it is contributing a certain part of the business profit: the profit is produced by the assets as a whole working together. (The theoretical economist's method of imputing values by determination of marginal returns is not likely to help here: where indivisible assets are concerned marginal revenue has no precise meaning.) Nor can one value the tangible assets *as a whole* by reference to their expected total contribution to the business profit, because unless the contribution of the intangible assets to total profit—the so-called super-profit—is calculated, one cannot determine what the tangible assets are producing and hence is involved in circular reasoning. Thus we are left with market value as the only meaningful basis for a valuation of the tangible assets. Market value is a fairly clear concept even if its ascertainment as a matter of practice raises certain difficulties and depends upon judgment. Its use means, however, that tangible assets highly specific to the business for which there is little outside use may have to be assessed at a fairly low figure relatively to their original cost and the price at which the management would sell them, even if they are quite new and in no way obsolete; as we shall see, it follows that the capitalised value of the super-profit will include part of the value of such assets.

Once the tangible assets have been valued, the next step is to calculate the "normal profit" by applying an "appropriate" annual rate of return to the value of the net tangible assets so ascertained. The appropriate rate (r) is usually defined as the rate of return an investor would expect to receive on his investment in a business of this type, having regard to current yields elsewhere and any differential required by the relative risk of an investment in this particular business as compared with an investment of another kind—that is to say, r is the competitive market rate. Although the actual choice of an annual rate of return is a matter of judgment, on which there is scope for a good deal of difference of opinion, this complication need not detain us here. Investors are constantly making decisions of this kind: they are made expressly or by implication every time an investment is bought and sold; and stockbrokers and issuing houses are continually assessing rates of return. Hence I shall

assume that an appropriate rate can be found. This is applied to the total value of the net tangible assets (tangible assets *minus* liabilities) to give the "normal" expected profit (rA).*

The total profit (P) expected from the business will be required for any method of valuation and I shall not discuss its calculation in detail. Let it merely be remembered that though the calculation of this profit is usually based on the accounts of earlier years, this is only because it is usually the best method of estimating future profits. No sensible person interested in a business purchase cares in the least what the past profits have been, except in so far as they may be a guide to the future (or affect the current tax liability). If the conditions in which the profits were earned no longer hold the figures may be of little use as a guide. When an accountant is valuing a business he cannot consistently pretend he is concerned only with the "facts" of the past: if he is doing his job properly he is making informed guesses about the future—whether he is prepared to admit this or not!

The figure of future profit is often described as the "net maintainable profit." If this term means anything it must, I think, mean the expected amount that could, if desired, taking one year with another, be distributed annually in dividend in the future, given the known circumstances of the business, and the known endowment of assets and liabilities. The concept of maintainable profit raises certain difficulties that will emerge in the discussion and it may be that some supporters of the super-profit method would not use the concept. It is by no means clear, however, what they would put in its place.

From the net maintainable profit (P) we deduct the normal profit (rA) and we are left with the super-profit ($P-rA$).

The value of the intangible assets—goodwill in the wider sense—is defined as the present value of this stream of super-profit. The appropriate capitalisation rate (j) is applied to $P-rA$ and a capital value derived. The capitalisation rate j may be equal to r , the rate already used in calculating the normal profit, but it seems that sometimes a substantially higher rate would be used, presumably to reflect the greater uncertainty of receipt believed to attach to the "top slice" of profit. The rate j may be stated in the form " x years' purchase of the super-profit," where $x = \frac{1}{j}$. I can find no general principle for the determination of j where this differs from r . The choice of j seems, therefore, to introduce an additional arbitrary element into the calculation.

An alternative procedure is to value the super-profit as if it would only be received for a certain time, say for n years. In this case the intangible assets are valued by

* I do not want to give the impression that I think there are no theoretical difficulties about this concept of a "competitive rate of return"; these difficulties arise, however, with other methods of valuation, and as they are not peculiar to the super-profit method I do not wish to discuss them here. Moreover, they are, I think, probably less important in practice than in theory.



MORE AND MORE PEOPLE PRODUCING

FOOD in LONDON
 CARS in COVENTRY
 LACE in NOTTINGHAM
 STEEL in SHEFFIELD
 CIDER in SOMERSET
 CHEESE in CHESHIRE
 CARPETS in KIDDERMINSTER
 BALL BEARINGS in WOLVERHAMPTON
 and many other products in other districts
 are opening



Minimum Deposit £100

BANK DEPOSIT ACCOUNTS

Send for "Bank Deposit Account" booklet No. 103 from General Manager

LOMBARD BANKING LIMITED BANKERS

*Head Office: LOMBARD HOUSE, CURZON STREET
PARK LANE, LONDON, W.1 GRO 4111 (30 lines)*

Branches and Agents throughout the World

10/- price net  post free 10/5

THIRD REPRINT

'TAXATION'

KEY

TO

INCOME

TAX

AND SURTAX

EDITED BY RONALD STAPLES

CLEAR, CONCISE AND COMPLETE

AUTOMATIC THUMB INDEX

The Five Second Reference Book

FINANCE ACT, 1956 EDITION

To Taxation Publishing Company Limited
98 Park Street, London, W.1 ★ MAYfair 7888
Send copies of 'KEY TO INCOME TAX' at 10/5
post free

Name and Address.....
(BLOCK LETTERS PLEASE)

.....
.....

Remittance £ s d enclosed. Date.....
Accy. 1/57

Portrait of a man
who invested
in **SAFETY...**



WITH **ABBEY NATIONAL** NATURALLY!

He is a man who can relax in comfort, casting his fly with the assured aim that comes of a tranquil mind untroubled by backward glances at the world of stocks and shares. He has invested in Safety with the Abbey National Building Society, with a tax-paid 3½ per cent return — whatever the state of the market. That's equal to £6.1.9 per cent where Income Tax is paid at the standard rate.

No wonder our fisherman wears a contented expression! He has plenty to be contented about, with his money safely invested in Abbey National. Any amount from £1 to £5,000 is accepted.

A SAFETY-FIRST
INVESTMENT

3½%

INCOME TAX PAID
BY THE SOCIETY

This is equivalent to

£6.1.9

per cent where Income
Tax is paid at the
Standard Rate

ABBEY NATIONAL

BUILDING SOCIETY

Member of the Building Societies Association

A national institution with assets of £237,000,000



ABBEY HOUSE, BAKER ST., LONDON, N.W.1. Tel: Welbeck 8282

Branch and other offices throughout the United Kingdom:
see local directory for address of nearest office.

CVS-417

taking the present value of an annuity of $P-rA$ for n years using the same rate, r , as was used in calculating the normal profit. By this method the value of the intangible assets (which I shall call G) is obtained by use of the compound interest formula for the present value of an annuity:

$$G = (P-rA) \times \frac{1 - \frac{1}{(1+r)^n}}{r}$$

This procedure might be thought to introduce an implicit qualification to the term "maintainable" in the phrase "net maintainable profit." Perhaps, however, it is only another way, an arbitrary one, of allowing for uncertainty.

It may be noted that so long as j is given the same value as r , the super-profit method will give the same final value as would the direct capitalisation of net maintainable profit, the alternative method of approach, since r , as usually interpreted, will be the appropriate capitalisation rate for that method,* the formula for which, using the same symbols, is:

$$V = \frac{P}{r}$$

This equivalence can be illustrated by an arithmetical example.

In a given business let the tangible asset valuation be 1,000 (£ signs are omitted throughout), let net maintainable profit be 120, let the competitive rate of return be 10 per cent. per annum, and let the super-profit be capitalised at the same rate. Our valuation is then:

$$\begin{aligned} V &= 1,000 + \frac{120 - .1 \times 1,000}{.1} \\ &= 1,000 + \frac{20}{.1} \\ &= 1,000 + 200 \\ &= 1,200 \end{aligned}$$

The super-profit is 20 and is valued at 200. If a buyer invests 1,200 in the purchase of this business he will receive the required annual return of $(\frac{120}{1,200} \times 100)$ per cent., that is, 10 per cent.

Now, if instead of this rather lengthy procedure the valuer had merely capitalised directly the net maintainable profit at 10 per cent. he would have received exactly the same answer with rather less trouble:

$$V = \frac{120}{.1} = 1,200$$

If, however, a different value is given to j from that given to r , the two methods will produce different answers.

The Significance of Super-Profit

I shall now examine the reasons why one would sometimes expect the maintainable profit as defined above to

exceed the amount that would yield a competitive return on the value of the tangible assets—the reasons why super-profit should exist.

First, as I have already indicated, even those assets that are classified as tangible may have a low saleable value in relation to the minimum price at which the management would be prepared to sell them (unless the business were in liquidation) because they are specific to the business in question. If, as I have argued it must be, the value at which these assets are included in the total value of the tangible assets is their saleable value, the super-profit may include part of the return attributable to the use of the tangible assets, though the impossibility in most business conditions of imputing profit to particular assets means that it cannot be said how large this part of the return will be. The capitalised value of the super-profit will then include part of the value of the tangible assets.

This point can perhaps be made clearer by considering a simple example. Suppose a business is about to be started with only one tangible asset, a specific one. The cost of building it is, say, 1,000. The competitive annual return (r) in this kind of business is assessed at 10 per cent. per annum and, because the business profit is expected to be 100 per annum, the asset is built. At this point we make a valuation of the business. We set j at the same value as r , 10 per cent. Had the asset been saleable at its cost price we should have:

$$\begin{aligned} V &= A + \frac{P-rA}{r} \\ &= 1,000 + \frac{100 - .1 \times 1,000}{.1} \\ &= 1,000 + 0 \end{aligned}$$

The value of the intangible assets (if any exist) is shown to be zero. Let us now assume that, because the asset is highly specific, its saleable value is only 200. Let us suppose all other conditions are unchanged. Our figures are now:

$$\begin{aligned} V &= 200 + \frac{100 - .1 \times 200}{.1} \\ &= 200 + 800 \\ &= 1,000 \end{aligned}$$

The present value of the super-profit is now 800.* Note that had we used a higher capitalisation rate for the

* It may be said that in both the above situations the same value will be obtained for the intangible assets, namely zero, provided that the original cost basis of valuation be used for the tangible assets, and that there is here a justification for the use of original cost. Suppose, however, that immediately after the asset is built the situation changes: owing to a new technical development the same output can be obtained with an asset costing only 500. In competitive conditions this change might well be expected to reduce the annual net maintainable profit before long to the neighbourhood of 50. If we now use an original cost valuation for the tangible assets we have:

$$\begin{aligned} V &= 1,000 + \frac{50 - .1 \times 1,000}{.1} \\ &= 1,000 - 500 \\ &= 500 \end{aligned}$$

* I have a comment to make in the next instalment of this article on the relation between the capitalisation of profit and the capitalisation of dividends.

super-profit than for calculating normal profit ($j > r$), the second "value" would have actually fallen though the expectation of profit (but possibly not of risk) was the same.

This tells us that our business has a "value" of 1,000 in tangible assets *less* 500 of "badwill." Is this really sensible? If tangible assets are "really" worth 1,000 the business as a whole surely cannot be worth less: if there were 500 of "badwill" and the tangible assets were really worth 1,000 it is clear the business ought not to be continued and its value on discontinuance would be 1,000. (There may, of course, be non-pecuniary reasons for keeping the business running, but we can exclude these for the purpose of our argument.) But a valuation of 1,000 is not in accordance with the facts. In fact the business cannot be worth more than 500, the cost of replacing the income stream of 50 per year. (Its minimum value is 200, the break-up value.) Exactly the same result would be reached had tangible assets been valued on the basis of their replacement cost, which here is the same as original cost.

Part of the value of intangible assets produced by the super-profit method may, then, be attributable to specificity of assets. Another part may be attributable to the way assets are, arbitrarily, divided into tangible assets and intangible assets in any particular instance. I have already noted that such property as patents, and the possession of confidential processes (both of which are saleable apart from the business as a whole), are commonly, because of the difficulty of assessing their market value, excluded from the list of tangible assets. The same is true of any other statutory or contractual monopoly or quasi-monopoly rights. So far as the possession of any of these raises the total profit the effect will appear in the residual item, the super-profit. When the super-profit is capitalised, its capital value will be attributable, *inter alia*, to the existence of all these benefits.

(To be concluded.)

The Economical Canteen

[CONTRIBUTED]

MANY ACCOUNTANTS, particularly those concerned with the finances of a canteen, believe that it will usually make a loss, and are pleased if in a given year it breaks even. The high cost of food, the difficulty of obtaining suitable labour, and the low prices usually charged lead to the belief that the canteen must normally be uneconomical.

The main object of industrial catering is to provide workers with substantial, well-cooked and nourishing meals, selling at the lowest possible prices. Most employers now regard this service as of paramount importance for the welfare and contentment of their employees and as an indispensable aid to production. However, managements in general and accountants in particular should also be fully aware of the cost of the service and do their utmost to keep it at the most economical level.

Workers expect their canteens to provide meals at prices far lower than they would pay in outside restaurants. This attitude largely originated during the war, when most concerns heavily subsidised their canteens and sometimes provided free meals. However, as costs have increased and

increased wages have made it easier for workers to pay higher prices, businesses have attempted to reduce the subsidies by bringing canteen prices to a more realistic level. In consequence, there has often been caused among workers a feeling of resentment, that could probably have been avoided if the costs of operating the canteen had been brought down, rather than the prices of meals put up.

For a canteen to operate at the most economical level, three basic principles must be observed. They are:

- (a) Making the most efficient use of canteen employees;
- (b) Purchasing food in the right market; and
- (c) Preventing loss through pilferage or wastage.

Putting into practice these three principles demands a knowledge of catering. The subject is not within the province of the accountant and it is therefore not surprising if, generally speaking, accountants regard canteens as a financial liability.

There are two main methods of operating and controlling canteens—directly by the factory management

with the aid of an experienced manager or manageress, or through utilising the services of a firm of catering contractors. The first method is most common in small canteens, while the larger canteens are more often in the hands of contractors.

Directly operated canteens, while often successful from most points of view, are almost always more costly. Even if a good manager or manageress can be found there are often many difficulties in practical control. If cost is of secondary importance, however, then a concern should certainly manage its own canteen. Direct operation is regarded with favour by many businesses that wish to keep their catering services as a part of their own organisation. It is also true that many employees feel that the concern is not taking sufficient interest in their welfare if outside caterers are engaged. Many canteen workers prefer to work in directly-operated canteens because almost invariably the rates of pay for the lowest graded workers will be higher than in canteens run by specialists. It is easier to deal with complaints when the canteen is operated directly and meal breaks can be organised to fit in more smoothly with the production schedule. On the other hand, certain executives may have to busy themselves with canteen matters—and the cost of their time and work will usually not be debited to the canteen

accounts. On the whole, if a business possesses an efficient canteen staff with a first-class manager, and the canteen is operating satisfactorily from a financial point of view, then no alteration in the method of operation should be contemplated. However, as costs are so important at the present time, there are sound arguments for the engagement of contractors if the canteen is a liability.

It has been estimated that about 30 million meals are served every day in industrial canteens. Industrial catering is thus "big business." Consequently, it can be convincingly argued that canteen management is a job for experts, who are best equipped to operate most economically. Specialist caterers have the experience and trained personnel to enable them to deal with any size or type of canteen. Their profits depend on the skill and enterprise they show in canteen management and the efficiency of the service they give. In no line of activity are there more possibilities of losses through theft and waste than in catering: specialist direction can best minimise these losses. How is any accountant to know whether his canteen trading figures are reasonable or unreasonable, true or false, unless he has a good knowledge of catering?

Catering contractors are certainly far from being free from staffing difficulties but they suffer less from them than directly-operated canteens. The large number of canteens in their organisation enables the caterers to cover a far wider field and when necessary to transfer staff between canteens—something that, apart from the expense involved, cannot normally be done by the concern managing its own canteen.

Further, the caterers possess other advantages helping them to keep costs to the minimum, consistent with serving wholesome and attractive meals. They always work to prepared menus that have been carefully costed to ensure an adequate percentage of profit. The portions of food served will be controlled; this does not mean that less will be given, but only that portions will be of a uniform size. A quite large saving can be effected in this way.

Bulk buying of commodities, either on a national scale or for a group of canteens, ensures the most favourable prices and appreciable quantity discounts. Suppliers approach the catering organisations with special offers, because this is advantageous to both parties. The system of control and maintenance of stocks and records is specifically designed to reduce to the minimum any losses through wastage or pilferage. For instance, most industrial caterers employ their own internal auditors or inspectors, whose special duty it is to ensure economical management in canteens. They are responsible for checking stocks and cash, costing and initiating any system of control to meet the peculiar needs of certain canteens. Other experts are also provided to control such items as tea, meat, vegetables

and bakery operation.

If a concern does decide to call in outside caterers, it is much to be desired that the employees should retain a large amount of interest in their canteen. The most practical way is the appointment or election of a canteen committee, meeting about once a month and discussing with the caterers all points arising on meals, service and any other matter affecting the canteen. At the meetings there would be present the workers' nominees, the caterer's representative and an executive of the firm to deal with items of special concern to the management.

Contracts with industrial caterers depend on the type of canteen to be managed, the number of meals served, the varieties of meals, prices, equipment and many other factors subject to negotiation.

Accountant at Large

Cheque Mate

CHEQUES HAVE BEEN in the news, this last month or two. The Mocatta report on endorsements was discussed in our issue of last month; the Chancellor of the Exchequer has promised urgent consideration of the practice of paying wages by cheque, which it has been suggested may be illegal under the Truck Acts; the last Finance Act allows for the composition of the stamp duty on bills of exchange, so that the impressed stamp with which we are familiar will soon give place to a printed sign; and the "gift cheque" has appeared in television advertising. Consider, then, that remarkable invention, the cheque, and the stamp it bears.

For the cheque is indeed a wonderful piece of paper. In 1955 some 368 million cheques passed through the London Clearing House, and if to that figure is added the provincial clearings and internal clearings of the banks the result is probably some-

thing over 450 million. The amounts passing are almost astronomical: in 1955 £155,000 million, not counting the internal clearings. The English, who have a habit of leaving the exploitation of their inventions to other nations, have certainly not been laggards in exploiting this one; and it is tempting to draw complacent inferences—the most obvious being that the full and proper development of an instrument of credit comes most naturally to a nation that is in the fullest sense of the term credit-worthy. There is a lot to be said for that argument, but for our present purposes we may leave it to the philosophers of finance, and confine ourselves to the obvious utility of a system that takes so large a bulk of value transfers away from notes and coin and into book entries. Diehards may still be found protesting that no "real" money enters into a cheque transaction at all; but a deposit in a bank account is indeed money as real

as any inconvertible note or token coin. And it is a great benefit to those who have to cater for our currency needs that so many of us use our cheque books instead of our note cases.

How odd, when one thinks about it, that we have to pay a tax for the privilege of easing Authority's burden! The twopenny tax on every cheque, like the baby in the story, is a very small one; but all the twopences come in the aggregate to a sizeable sum: some £7 million in 1954/55, if you count in stamps on bills of exchange as well. Bank clerks, one has heard, spend an appreciable part of each working day assuring customers that the twopence on the cheque does not swell banking profits, and one bank has even made an advertisement out of the assurance. The twopence is not for the convenience of the service provided—bank charges provide for that—but is a straightforward tax. And, to harp on the point, an odd one. For if we all went on strike, and paid our bills in cash, what a panic we should cause in the Bank of England! Yet for being kind to Authority in one of its guises we are mulcted by it in another.

Stamp duties go back a long time, and their history is mixed—one had almost said chequered. It is recorded that we took the idea from the Dutch in 1694, the year the Bank of England, another imitation from the Netherlands, was founded; and by the first half of the nineteenth century, when the bill of exchange and the cheque alike bore an *ad valorem* duty, this particular stamp duty was well established. It was not generally realised at the time that a new credit instrument was being stifled. But after the duty on cheques was reduced in 1853 to a fixed penny, the cheque started upon its great and still unfinished development.

The same decade saw another stamp development, the abolition of the newspaper stamp in 1855. That tax had been introduced as long before as 1712, and had been successively a penny, 1½d., 2d., 2½d., 3½d., and 4d. It had come down to a penny again in 1836; but it was its abolition that made the modern newspaper possible—and it is to be

remembered that however we may deplore some examples of the modern newspaper, they are a great improvement on the scurrilous sheets that despite innumerable prosecutions escaped the stamp.

So in the one case reduction to a penny, in the other abolition, released great developments. The newspaper stamp has not returned; the cheque stamp duty has increased only once, in 1918, to its present twopence. If other taxes—income tax, for example—had done no more than double themselves in over a hundred years we should all be rich men today; and there will be no rioting outside 11, Downing Street, on account of the cheque stamp all the time it remains at twopence.

It has, it would appear, brought at least one positive benefit in its train. In other countries, where the cheque is either free of duty or is taxed with an adhesive stamp, the cheque itself has not achieved the prestige it has in England. In the United States, for instance, cheque forms are available, like credit slips, on bank counters, so that obviously the possession of a cheque does not show any *prima facie* entitlement to it or make its holder respectable. The warnings printed in our own cheque books, that we must take good care of them, have nowadays no connection with the stamp duty; but it seems likely that it was the impressed value of their cheques that first started our bankers on their strict supervision of what can be, in the wrong hands, a dangerous weapon.

The Exchequer has to draw its money from somewhere, and the cheque stamp collects a useful little total more or less painlessly. It has been called a tax on enterprise; as such it is not alone, but it is none the better for having great swaggering kinsmen. Yet no such arguments can be advanced for its abolition as were pressed for the abolition of the newspaper duty: it is unlikely that any great enterprise is being suffocated by a weight of twopences, or that any startling new upsurge of the banking habit would follow a Chancellor's self-denying ordinance. The bankers' charges for propelling the cheque on

its way from printing house to clearing house, so that it can discharge its appointed function in our complex economy, are a much larger element affecting the use of cheques—and to say this is not to make any comment on the controversial issue of whether the charges are too high or assessed on unsound procedures of costing. And if the stamp duties were to be moderated, transfers of securities and real property, taxed at a so much higher rate, form far more eligible candidates than the cheque for the grace and favour of the Chancellor.

There is already some loss of stamp revenue in prospect for the Chancellor. The Mocatta Committee, in concluding that receipts on cheques are no better *prima facie* evidence of payment than the cheques themselves, had no compunction about hastening the disappearance of receipts. The loss of revenue, it suggested, would not offset the benefits of the abolition of endorsement—an abolition that the large-scale retention of receipts on cheques would delay. Loss of revenue there will be, nevertheless; and now that receipts are thus called in question their going out of use, lightheartedly explored in an article in ACCOUNTANCY in June, 1955, may be accelerated. But desuetude for a document on which stamp duty is levied is one thing; abolition of stamp duty quite another. Cheque stamps will be with us for a long time yet.

But they will not be stamps as we have known them. The composition of duty permitted by the Finance Act means that before long we shall find on our cheque a printed sign instead of an impressed one. The Revenue will be saved the labour of impressing each and every cheque, the banks will be saved the burden of financing the duty on their enormous stocks. But the twopence tax will remain the same. As we sign our cheques we shall, in effect, be authorising our banks to enter our twopences in the "periodical accounts" to be furnished to the Revenue under Section 39 of the Act and, in settling the balances, to make for us one of our smaller enforced contributions to the State coffers.

The School of Accountancy

Highly Successful Courses

- ★ **FOR ARTICLED CLERKS**—Sound, authoritative, complete Courses for the Institute, Society and Association Examinations.
- ★ **FOR AUDIT CLERKS**—The famous "Safe Pass" Courses for S.A.A. and A.C.C.A.
- ★ **FOR QUALIFIED MEN**—I.C.W.A. Courses with concessions; and Training for Management.
- ★ **FOR CAREERS IN INDUSTRY**—Incomparable I.C.W.A. Courses.
- ★ **FOR JUNIORS**—Carefully graduated Courses in Book-keeping, Auditing and all Commercial subjects. Specialised Courses for the Prelims.

Write to

THE SCHOOL OF ACCOUNTANCY

105 Regent House,
6 Norfolk St., Strand,
London, W.C.2

46 years of Successful
Educational Service

105 Regent House,
2 West Regent Street,
Glasgow, C.2

ANOTHER FIRST PLACE!

School of Accountancy
student gained

**FIRST
PLACE**
SOCIETY
Intermediate
MAY, 1956

THE COMPANIES GUIDE AND DIARY FOR 1957

An Alphabetical Guide to Company Law
incorporating an
ANNUAL DIARY and REFERENCE BOOK

An invaluable book containing a wealth of useful legal information and an extremely clear table of AD VALOREM STAMP DUTIES.

Price 15/- net
(By post 16/9)

JORDAN & SONS, LIMITED

Law Stationers and Company Registration Agents

116 CHANCERY LANE, LONDON, W.C.2

An excellent Agency Offer to Professional Men

BELMONT FINANCE CORPORATION LTD. INDUSTRIAL BANKERS

Members of the Industrial Bankers Association

LONDON: 53 COLEMAN STREET, E.C.2
Branches in the principal cities of the U.K.

Professional Men are invited to apply for Agencies of our Banking Department. The remuneration is not solely an introductory fee, but continues as long as the client's account is with the Belmont Finance Corporation Ltd. There is no limit to the amount of Capital which the Corporation can accept. Interest 7% per annum.

The strength of the security offered by the Corporation lies in the following factors:—

1. There are no debentures, and it is not proposed to place anything in priority to the Depositors' security.
2. The ratio of paid-up Capital and Reserves to the total of Deposit and other accounts was approximately 30% at the end of April, 1956.
3. Total Assets exceed £800,000.

A copy of the Accounts can be obtained on application.

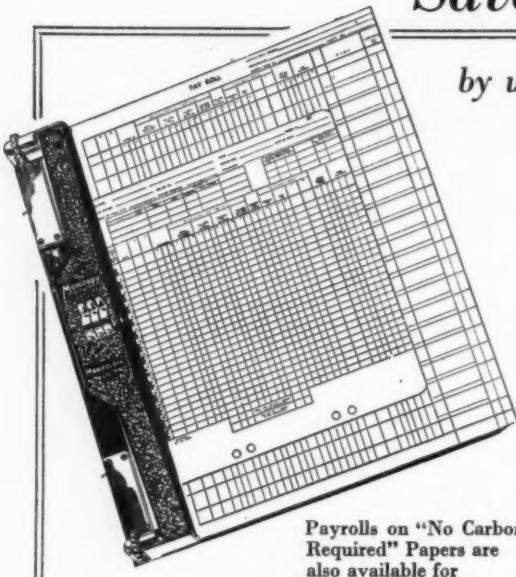
Place your clients' savings on deposit with the
BELMONT FINANCE CORPORATION LTD.

Today's Finest Investment

Send for Brochure to The Secretary, Belmont Finance Corporation Ltd., Belmont House, Westcote Road, Reading

Save Time . . . Save Labour . . .

by using



Payrolls on "No Carbon Required" Papers are also available for MANICOPY use.



The same MANICOPY can also be used for SALES LEDGER, PURCHASE LEDGER, RECEIPTING and CHEQUE PAYMENTS.

For practical evidence of the complete efficiency of this system write to Manifoldia today. Our Representatives will be pleased to demonstrate anywhere in the United Kingdom, without obligation.

MANICOPY

for Payroll Preparation

The MANICOPY is saving hours of unnecessary work in many offices because it enables several records to be completed at one writing and completely eliminates transcription errors.

The MANICOPY provides complete P.A.Y.E. records from ONE original writing as the Earnings Card is written simultaneously with Payroll and Employees Slip. There is no need to prepare a detailed wage packet and no need to refer to Tax Table A.

This simple device will bring you some of the advantages of the most up-to-date machine accounting systems without heavy initial costs or maintenance charges.

MANIFOLDIA LTD.

PHONE:
WEST BROMWICH
0506

WEST BROMWICH
STAFFS.

BRANCHES
THROUGHOUT
THE COUNTRY

FAMILY WELFARE ASSOCIATION

OFFERS A UNIQUE SERVICE TO
ACCOUNTANTS — TRUSTEES
AND OTHER OFFICIAL AND PRIVATE PERSONS
INTERESTED IN THE MAKING AND EXECUTION
OF
LEGACIES AND CHARITABLE BEQUESTS

- ★ Free advice as to the status and financial position of charitable Organisations.
- ★ Information regarding Charities affected, and not affected by Act of Parliament.
- ★ Help and advice as to the needs of Charities for those making gifts or bequests.

FOR 86 YEARS THIS HAS BEEN PART OF THE
SERVICE PROVIDED BY THE ASSOCIATION

FAMILY WELFARE ASSOCIATION

296 VAUXHALL BRIDGE ROAD
LONDON, S.W.1
VICTORIA 7334

*Increased
Interest Rates*
IN THE

PROVINCIAL

BUILDING SOCIETY

Paid-up Shares

3½%

Subscription Shares

4%

(Fixed Regular Monthly Savings)

Deposit Accounts 3%

All with income tax paid by the Society

PROVINCIAL

One of the Big Six

HEAD OFFICES MARKET STREET BRADFORD 1
ALBION STREET LEEDS 1 Tel. 29331/2/3/4
LONDON OFFICE ASTOR HOUSE ALDWYCH W.C.2 Tel. HOLborn 3681
Tel. 29731/2/3

Taxation

Some Points on Maintenance Claims

MAINTENANCE CLAIMS FOR 1956/57 ought to be well in hand at this time of year, so that effect may be given to them by reduction or discharge of the tax payable on January 1, 1957. The following reminders may be useful:

(1) The claim is based on the average expenditure of the five years to March 31, 1956, or April 5, 1956, or for large estates other accounting dates agreed with the Inspector of Taxes.

(2) Where property has been owned for less than five years, and details of the previous owner's expenditure are not available, the Revenue will, by concession, accept for the first five complete years claims based on the actual expenditure year by year, unless the expenditure is exceptionally heavy. The claimant has to agree to accept that basis for five complete years.

(3) The fees of the accountant for preparing the claim are management expenses which can be included in the claim.

(4) A cash payments basis is usual except where accounts are consistently prepared on an expenditure basis, e.g. in landed estates.

(5) The claim is for the cost of repairs (inside or out), maintenance, management and insurance of the property.

(6) Common sense usually shows what is a repair and what is an improvement. There is, however, the provision that certain capital expenditure can be included, namely:

(a) the replacement of farmhouses, farm buildings, cottages, fences and other works, where the replacement is necessary to maintain the existing rent, and

(b) additions or improvements to farm houses, farm buildings or cottages, but only if no increased rent is payable in respect of the additions or improvements, and in so far as they are made in order to comply with the provisions of any statute or bye-laws of a local authority. (If such expenditure is not allowable in the maintenance claim, it will normally be available for agricultural buildings relief (in whole or part) under Section 314 of the Income Tax Act, 1952.)

In practice there may be included in the claim expenditure such as is mentioned in (b) above incurred in anticipation of a notice under statutory provisions or regulations. Similarly, too, if a local authority requires a water supply or drainage to be improved, or new sanitation to be installed to the local requirements. If the landlord voluntarily does without any order that which is necessary to bring the house up to the requirements of the statute or regulation, the expenditure is covered, e.g. for reconditioning agricultural cottages to comply with the standard now required of new cottages.

Work done on dairy farms to comply with Milk and

Dairies Regulations or with the requirements of a licensing authority, or to comply with the directions of County Agricultural Executive Committees, etc., all comes within heading 6 (b).

(7) Expenses by the owner on the upkeep of the land include the net cost of vermin destruction (sales must be deducted); hedging and ditching; maintenance of water courses; and upkeep of roads.

(8) The estimated cost of repairs obviated by alterations is allowed, provided the alterations have not created a new subject of assessment.

(9) The cost of replacement of an old grate by a modern burning appliance, where both are parts of the building, is admitted in so far as it does not exceed the cost of repairing or renewing the old appliance. Replacing one form of lighting or heating by another is a matter of negotiation, e.g. it seems common to allow half the cost of installation of fluorescent lighting.

(10) The cost of repairing sea walls and the walls and embankments of non-tidal rivers is admissible.

(11) All property included in the Schedule A assessment ranks for relief, including glasshouses, fences, gates, carriages and permanent paths. The cost of maintenance and renewal of water supplies, fire mains, lighting and heating plants, drains and sewers, as distinct from running expenses, all qualifies for inclusion in the claim.

(12) Management includes the cost of rent collection, preparing accounts, expenses of tenancy agreements, advertising property for letting, etc.

(13) The amount relieved cannot exceed the net annual value of the property except (a) in the case of agricultural land and buildings, when the excess relief can be claimed against other income, or (b) where there is an excess rents assessment, when the true net annual value replaces the actual net annual value. In this connection, it is well to note that where there is a furnished letting, *Shop Investments v. Sweet* [1940] 23 T.C. 38 is authority for saying that there ought to be an apportionment of the rent between that for the property and that for the contents and any services provided.

(14) There can be included in a maintenance claim only those repairs expenses that have not been allowed as deductions under some other head, e.g. against profits.

It should be noted that the taxpayer is the sole judge of which head he can claim under, with this proviso: if expenditure is disallowed under a Case I or II computation, e.g. under the *Law Shipping* decision (1924, 12 T.C. 621), it may still qualify for the maintenance claim.

On a similar point, where there has been a replacement

of a farmhouse, and relief has been claimed on up to one-third (the maximum) of the cost under Section 314, the balance can go into the maintenance claim. The full repairs allowance will be deducted, of course, from the average expenditure on repairs, etc.

Furnished Lettings

The following is the usual computation of the profit on furnished lettings:

	£	£
Rent	500	
Rates	90	
Wear and tear on furniture (often based on insured value) at 6½ per cent. (more if linen and plate are included)	95	
Insurance of contents	4	
Advertising and other letting expenses	10	
Accountancy charges	5	
Net annual value	105	
	309	
	191	

Actual repairs may be deducted, in which case they cannot go into the maintenance claim.

It is arguable that the gross annual value is deductible, otherwise the repairs allowance is lost, but normally only the net seems to be allowed.

On the authority of *Shop Investments v. Sweet* [1940] 23 T.C. 38, however, the following seems to be correct:

Excess Rent:	£
Rent for property excluding contents, say ..	370
Rates	90
	280
Repairs allowance	50
	230
Net annual value	105
Excess Rent	125
If there is a maintenance claim for relief in a sum in excess of £105, the excess can be set off thus:	
Average maintenance, say	£
Repairs allowance on rent	200
	50
	150
Allowed against N.A.V.	105
Available against excess rent	45
Rent for furniture:	£
Rent	130
Insurance	4
Wear and tear	95
Advertising and accountancy, say 130/500ths of £15, say	4
	103
Assessment	27

Taxation Notes

Dividend Vouchers

Every dividend warrant or cheque or other order for the payment of any dividend or interest distributed by a company within the meaning of the Companies Act, 1948, or the Companies Act (Northern Ireland), 1932, or a company incorporated by letters patent or Act of Parliament, must be accompanied by a statement in writing showing the gross amount, the rate and amount of tax deducted and the net amount paid. If appropriate, the net United Kingdom rate of tax must also be stated. A "free of tax" dividend must be accompanied by the appropriate voucher showing the gross equivalent, etc. (Section 199, Income Tax Act, 1952).

In our issue of April, 1956 (page 140) we questioned the appropriateness of some—a large proportion—of the vouchers which are issued today, which do not show either the gross equivalent or the amount of tax deducted but instead show a table—or ready reckoner—from which the taxpayer, if he can add, can calculate the amounts.

Protests by shareholders have elicited the replies that the companies concerned consider that the vouchers comply with the Act. Reference to the Board of Inland Revenue has brought forth the reply that this is not a matter with which the Board is directly concerned and it has not felt justified in taking

exception to the practice mentioned. It also says that the absence of any general criticism by shareholders suggests that the practice is normally accepted as being a sufficient compliance with the legal requirements.

It is difficult in these days to resist the comment that had the requirements of the Section affected the amount of tax payable, the Board would not have dismissed the question so easily. Even if the practice does not, in the eyes of lawyers, infringe the express terms of the Section, it must in our view be entirely outside its spirit. Some vouchers are so sparing in the figures given that it means selecting three or four lines to find the gross dividend and tax deducted, with the unavoidable risk of error. In such circumstances, it would be much quicker to refer to tax tables to find the gross equivalent of the net amount paid.

Many of the most important companies give the exact figures and we see little reason for the sparse figures given by some others.

While we are on this topic, can anyone say what purpose there is in having to show in repayment claim forms the amount of tax deducted now that (except where paying agents are dealing with oversea dividends) the standard rate is obligatory for the deduction, though repayment is not necessarily at that rate?

Agricultural Buildings Allowances

The relief given by Section 314, Income Tax Act, 1952, over the ten years of assessment following the year of the expenditure is for capital expenditure on the construction of farm houses, farm or forestry buildings, cottages, fences, or other works on agricultural or forestry land. The term "works" is officially regarded as including such things as drainage and sewerage works, water and electricity installations, walls, shelter belts of trees and the reclamation of former agricultural land.

There must be excluded:

(a) Expenditure deductible in computing profits, e.g. repairs.

(b) Expenditure from which income tax is deductible.

(c) Expenditure of the type that could be included in a maintenance claim (even if the expenditure is made by the tenant, who cannot make a maintenance claim) (i.e. replacements to maintain existing rent and additions to maintain existing rent as a result of statutory provisions or regulations or byelaws of a local authority—Section 101 (2), Income Tax Act, 1952).

(d) Two-thirds of the expenditure on a farm house (more if the house is out of due relation to the nature and extent of the farm).

(e) A proportion of the expenditure on assets which partly serve other purposes.

(f) The amount of any contribution by the Crown or any other body or person. Where the contribution is for the purposes of a trade (including agriculture or forestry) carried on by the contributor or his tenant, the contributor can claim the Section 314

(and investment) allowance. In each case the person who spent the money gets allowance on his net expenditure. If, however, the contributor (not being the Crown or a public or local authority) does not make the contribution for such a trade, the allowance is on the gross expenditure.

In addition, in respect of expenditure incurred between April 7, 1954, and February 17, 1956 (both dates inclusive), Section 16, Finance Act, 1954, provides for an investment allowance of one-tenth thereof to be given in the first year in which relief is received under Section 314. This allowance is given although the expenditure could go into a maintenance claim, as a result of the provisions of Section 101 (2), Income Tax Act, 1952. The investment allowance also applies to capital expenditure incurred after February 17, 1956, in adding, to any building or structure which is or has been already in use, and in which artificial heating is regularly used for the purposes of husbandry or forestry, any insulation against loss of heat.

"Agricultural land" means land, houses or other buildings in the United Kingdom (U.K.) occupied wholly or mainly for the purpose of husbandry. "Forestry land" means woodlands in the U.K. in respect of which an election has been made for assessment under Schedule D (Section 125) and any houses or other buildings in the U.K. that are occupied together with, and wholly or mainly for the purposes of, such woodlands.

The allowance is given to the owner or tenant according to which of them incurred the expenditure. When land is sold or transferred to some other person, the allowance goes with the land. Provided an incoming tenant pays the outgoing tenant for assets on which the former was getting allowances, the incoming tenant succeeds to the claim; if he makes no payment, the claim is transferred to the immediate landlord. If part of land is transferred, the claim is apportioned.

The allowance is given primarily against agricultural income, i.e. Schedule A assessments on agricultural land, Schedule D assessments

on farming or market gardening in the U.K. and excess rents assessed under Case VI, Schedule D. Any balance can be claimed against other income. If not so claimed within one year of the end of the year of assessment, the balance goes forward against agricultural income only.

Timber

So long as woodlands remain assessable under Schedule B (at present on one-third of the gross annual value), any profit resulting from the sale of timber from those woodlands is covered by the Schedule B assessment (*C.I.R. v. Williamson Bros.* (1950, 31 T.C. 370)). That is so, even if the woodlands are managed on a commercial basis. Assessment under Schedule D is competent only if the occupier has elected under Section 125, Income Tax Act, 1952, to be so assessed, and in that event all sales are revenue receipts, and tax is payable on profits, which are commonly computed on a cash basis, losses being available for the usual claims.

Schedule B, however, may not cover all sales where the taxpayer carries on other operations than selling the timber, e.g. where he uses machinery and employs cabinet makers to make furniture out of the timber (*C.I.R. v. Williamson Bros.*, *supra*). That trade is a matter for Schedule D.

There is some doubt whether the setting up of a saw mill is a matter for Schedule D. In *Christie v. Davies* (1945, 26 T.C. 398) it was held that the setting up of a saw mill (where hurdles, fences, gates, etc., were made) was the ordinary method of rendering the timber marketable, and only the profit on timber purchased and worked was a matter for Schedule D. Doubt was thrown on that decision in the *Williamson Bros.* case (*supra*) where the saw mill merely cut the timber into lengths in its rough state, and the Crown abandoned its claim to assess under Schedule D. In the *Williamson* case, the Court of Session drew a distinction between operations wholly referable to the right of ownership or occupation and those falling to be treated in whole or in part as separable trading activities.

The mere fact that produce of land is sold elsewhere than on the land covered by Schedule B or that the occupier also carries on a trade in that produce does not make the profits from the produce assessable under Schedule D (*Back v. Daniels*, 1925, 9 T.C. 183).

Secrecy

In back duty investigations it is quite common to find that the person whose affairs are under review has broken the law in some way. In such circumstances it is often difficult to get him to "come clean," because he fears that the information may lead to prosecution for offences other than tax evasion.

It is important to note that by Section 16, Income Tax Act, 1952, every person appointed as a General, Additional or Special Commissioner, as an Inspector of Taxes, as a Collector or officer for receiving tax, or as a Clerk to the Commissioners, must make and subscribe to the appropriate declaration set out in the Second Schedule to the Act. *Inter alia*, these declarations impose an absolute obligation not to disclose any information contained in any document, etc., relating to tax under Schedule D except to the persons authorised under the Income Tax Acts or in prosecution for perjury in connection with the document in question.

By Section 353, it is permitted to disclose to the authorised officer of a Government outside the United Kingdom such facts only as will enable proper double taxation relief to be given. Section 378 (3) authorises disclosure of certain information in connection with superannuation funds.

Although the declaration refers only to Schedule D, it in fact covers all information coming to an Inspector of Taxes or other official in the course of his official duties and all members of the Inland Revenue staff are required to make the declaration. By the Fifth Schedule, Part III, paragraph 6, Finance Act, 1937, the oath is deemed also to apply to profits tax.

Examples of the length to which secrecy goes are found in the street-

betting cases of *Southern v. A.B. and v. A.B. Ltd.* (1933, 18 T.C. 59), where the taxpayer's names were not disclosed in the reports.

Tax Avoidance

Opinions about legal avoidance of taxation necessarily differ. The words of Lord Cairns in *Partington v. Attorney-General* (1869, L.R. 4 E. and I. App. H.L. 100) are usually quoted in support of avoidance:

If the person sought to be taxed comes within the letter of the law, he must be taxed, however great the hardship may appear to the judicial mind to be. On the other hand, if the Crown, seeking to recover the tax, cannot bring the subject within the letter of the law, the subject is free, however apparently within the spirit of the law the case might otherwise appear to be. In other words, if there be admissible, in any statute, what is called an equitable construction, certainly such a construction is not admissible in a taxing statute, where you can simply adhere to the words of the statute.

Several judges have also said that it is open to persons to evade Income Tax if they can do so legally.

On the other hand, the Lord Chancellor (Lord Simon) in *Latilla v. C.I.R.* (1943, 25 T.C. 117) said:

Of recent years much ingenuity has been expended in certain quarters in attempting to devise methods of disposition of income, by which those who were prepared to adopt them might enjoy the benefits of residence in this country, while receiving the equivalent of such income, without sharing in the appropriate burden of British taxation. Judicial dicta may be cited, which point out that, however elaborate and artificial such methods may be, those who adopt them are "entitled" to do so. There is, of course, no doubt that they are within their legal rights, but that is no reason why their efforts, or those of the professional gentlemen who assist them in the matter, should be regarded as a commendable exercise of ingenuity, or as a discharge of the duties of good citizenship. On the contrary, one result of such methods, if they succeed, is of course to increase *pro tanto* the load of tax on the shoulders of the great body of good citizens who do not desire, or do not know how, to adopt these manoeuvres.

Another consequence is that the Legislature has made amendments to our income tax code, which aim at nullifying the effectiveness of such schemes.

It is difficult to see where to draw the line. There are often more ways than one of doing a transaction, and each has to be examined from the tax angle. Even the late Lord Simon could not have objected to the taxpayer adopting the method that would attract the least tax. What he must have had in mind were schemes that turn into capital what is really income or divert income to foreign parts.

Heavy taxation puts temptation in the paths of the taxpayer, but good citizenship means he must not give way to it.

Income Taxes in the Commonwealth

The fifth annual supplement, dated June, 1956, to this useful work has been issued by H.M. Stationery Office. It provides a further revision of the supplements to volumes one and two and incorporates information received since the fourth supplement went to press. The supplement, like the main volumes, is produced by the Inland Revenue, but has not been scrutinised by the authorities of the countries in which the laws are in force. It is most useful to have at hand information on taxes which will be met in other countries in the Commonwealth. So far, the companion volume, *Income Taxes outside the Commonwealth*, deals with the United States of America and the Republic of Ireland; but we look forward to the day when it will be possible to refer to a summary of the taxation law of at least the main countries in the world.

Double Taxation—Netherlands Antilles

Subject to the approval of Parliament, the Double Taxation Convention between the United Kingdom and the Netherlands is to be extended to the Netherlands Antilles. The extension will have effect in the United Kingdom from April 6, 1953. Details have been published as a schedule to a draft Order in Council.

Special Invitation to Readers of ACCOUNTANCY

Dear Sir,

Think of the time, trouble and expense you would be saved during the year if, with the aid of one compact book, you could quickly and accurately:

- Devise ways and means of keeping the office staff happy.
- List the legitimate expenses that Inland Revenue will pass.
- Determine when company car can be used for private travel.
- Detail the ideal form of company structure.
- Choose the machine most suitable for your office work.
- Estimate the cost of a pension scheme, and determine whether your senior executives could be included reasonably and on what basis.
- State how the statutes of limitation operate and for how long.
- Say how much a traveller's car should cost to run per week.

The new Company Secretary's Desk Book - now offered you FREE - will help you to deal expeditiously with all such matters - and hundreds of others besides.

Although compact, this 144-page aid is really three books-in-one: (a) Office facts, management; (b) Legal Guide; (c) Vade-mecum for the company secretary.

From Abbreviations to Simple Interest Tables this book provides, immediately, reliable answers to those questions which most frequently arise in the busy office. From Agreements to Wills it advises you on urgent legal problems. From Business Names Registration to Trade Marks it gives invaluable pointers on company law and those responsibilities of the company secretary.

You can secure the Company Secretary's Desk Book FREE and without extra charge in connection with a subscription to BUSINESS, the Journal of Management in Industry, which is read regularly every month by 45,000 businessmen.

BUSINESS brings you the latest proved policies, plans and systems of progressive firms for promoting efficiency in the office, cutting costs and reducing expenses, raising production, improving relations between management and employees, expanding turnover, as well as short-cuts and time-saving schemes for every department. Only 40/- a year (12 big, finely produced issues) you will find it a never-failing source of usable money-saving, business-building ideas and methods.

You can accept this exceptional offer very easily -- just post the card NOW.

Yours faithfully,

R.V. Wright

The Company Secretary's Desk Book is Really 3 Books-in-One

THE "Company Secretary's Desk Book" is not for study but for constant reference and use, planned specifically to give you immediate, reliable answers to the innumerable questions and minor problems that arise in your work and steal away so much precious time—those facts and data which company secretaries most frequently require.

Although compact, the 144-page "Company Secretary's Desk Book" is really three books in one: (a) Office facts, figures and management; (b) Legal Guide; and (c) Vade-mecum for the company secretary.

This invaluable book gives the answers to the urgent legal problem, the query about company law, the worry about keeping the office staff happy, the banking detail, such as: Exactly how do the statutes of limitation operate and for how long? How may the changes in the law of libel affect your own correspondence? If you are the victim of an ever-increasing practice of "passing off," what could you do about it? What would a pension scheme cost our company? Could we include our senior executives reasonably and on what basis?

Elucidates Company Law

Problems are always cropping up about company law. Which documents must be lodged and registered when incorporating a new company? What is the ideal form of company structure? How many supplementary banking accounts can we open? Can we have our company exempted? Which are precisely the legitimate expenses that the Inland Revenue will pass? What should a traveller's car cost to run per week? When can a company car be used for private travel? On all these points you can find immediately guidance in the "Company Secretary's Desk Book."

To-day the financial director, the company secretary and the general manager are often as much concerned with office problems as with financial or legal problems. How can we prevent girls leaving? What are the accepted salaries for clerical workers? When we move the office, how can we minimise losses? What machines would help us in our office work? Can we improve desk efficiency to save work? What will the Gower Report mean if its recommendations are embodied in an Act? Here again, the book will give you the answers at no cost to you.

Why We Offer You a Complimentary Copy of The Company Secretary's Desk Book

We offer you the forthcoming "Company Secretary's Desk Book" in order to introduce to you BUSINESS, the Journal of Management in Industry. Because you will get something significant and usable out of every one of the minutes you devote to reading BUSINESS every month, we are confident you will want to renew your subscription to it year after year. That is why we ask you to accept the "Company Secretary's Desk Book" as a free introductory gift.

Up and down the country there are business executives who are facing and solving the same problems now facing you: the same management complexities; the same question of ways and means for combating rising costs and expenses; for making the £ go further and meeting today's unusual financial difficulties; developing new administrative techniques to match the problems of today.

And the actual successful policies, techniques and plans which these business men have devised are described, ready for you to apply at once with immediate benefit to your own business, in this service to which you are invited to subscribe.

BUSINESS provides this authoritative service every month for more than 26,000 business executives at only forty-shillings a year. Every issue contains descriptions by business leaders themselves of their latest successful methods as applied in actual use; proved policies and plans for cutting costs and expenses; raising output; tightening up efficiency; finding and exploiting new markets at home and overseas; handling finances; improving industrial relations; new time-saving ideas and short-cuts for every department, etc.

Contents of The Company Secretary's Desk Book

OFFICE

- Abbreviations
- Address (Forms of)
- Addressing & Press Cutting
- Agencies
- Clerical Salaries
- Compound Interest Tables
- Cutting Office Costs
- Desk Efficiency
- Dictation by Telephone
- Filming Records
- Law Sessions
- Moving the Office
- Office Danger Points
- Office Machines

LEGAL

- Offices (Open v. Separate)
- Office Working Conditions
- Office Planning
- Paper Sizes
- Printing
- Printers' Proofs and Proof Readers' Marks
- Public Offices
- Punctuation
- Roman Numerals
- Seating
- Signs in Everyday Use
- Simple Interest Table
- Stationery Office (H.M.)

- Agreements
- Arbitration
- Attorney (Power of)
- Banking
- Bribery & Corruption
- Copyright
- Corporation Duty
- Customs & Excise Draw-backs
- Debt Recovery
- Deeds
- Distringas
- Executors & Administrators
- Infant Law

See Further Contents Overleaf

The Company Secretary's Desk Book (Cont'd).

LEGAL (Cont'd.)

- Legal Aid (Free)
- Letters of Credit
- Libel & Slander
- Partnerships
- Passing Off
- Prevention of Fraud
- Promissory Notes
- Property
- Receipts
- Statutes of Limitation
- Surtax
- Trustees' Duties and Responsibilities
- Wills

- Income Tax Tables
- Postal Services
- Stamp Duties

COMPANY

- Banks (List of Principal)
- Bank Note
- Business Names Registration
- Car Expenses
- Commissions & Agents
- Companies
- Company Pension Scheme
- Depreciation Table
- Discounts, Dividend and Transfer Days
- Exchange (Bills of)
- Exchange (Foreign)
- Expenses & Income Tax

TOPICAL SECTION

- Bank Rate, 1930-1955
- Dividend Grossing-up
- Estate Duty

- Income Tax
- Income Tax Standard Rate, 1900-1955

Limited Edition—Make Sure of Your Copy NOW

If you return the card below at once you will be sure to receive one of the limited number of copies of the "Company Secretary's Desk Book." You need send no money yet (unless you are a resident overseas)—the subscription will be invoiced to you after your first issue of BUSINESS has been despatched. And, of course, your copy of the "Company Secretary's Desk Book" will be sent you free and without any extra charge by return. So—

Fill in, Tear Off and Post this Card TODAY

DIRECTORS: J. H. HAWORTH, J. SIME, H. HINTON, W. BONSER, A.C.I.S.

PRINTED PAPER

The Publisher,
"BUSINESS, the Journal of
Management in Industry."

2d.
Stamp

Please send me a Complimentary copy of the "Company Secretary's Desk Book" by return; also enter my subscription to "BUSINESS" for one year—12 monthly issues—and invoice me at the regular rate of 40/- post free.

Name

Address.....

Overseas orders must be accompanied by full cash (40/-).
IN/AY7
M6076

The Publisher,
"BUSINESS, the Journal of
Management in Industry,"
Mercury House,
109-119 Waterloo Road,
London, S.E.1.

An Authoritative and Essential Book
for all Professional Men

SCHEDULE A TAX ITS ASSESSMENT AND COLLECTION

(FOURTH EDITION)

by

DONALD L. FORBES

*Fellow of The Institute of Chartered Accountants
Justice of the Peace*

This specialist book, first published in 1936, makes a welcome reappearance after being out of print for some years.

The book is one which should be on the shelf of every practitioner—whether accountant, solicitor, surveyor or estate agent.

Although written in a clear and direct style it is fully documented with references to sections of the Income Tax Act and other Acts and as to relevant case decisions.

Here is a book of reference with a good index devoted to one aspect of our complex taxation system which can be conveniently segregated, so that reference to almost every type of problem to be met with in practice is dealt with in considerable detail.

Practitioners are busy men and need a book that gives immediate reference to the day-to-day cases which arise in connection with almost every client.

PRICE 15/- NET

Post free U.K. 15/7

----- ORDER FORM -----

To GEE AND COMPANY (PUBLISHERS) LIMITED
27-28 Basinghall St, London, EC2. MONarch 5347-8

Please send copy(ies) of SCHEDULE A
TAX—ITS ASSESSMENT AND COLLECTION, at
15/- net, 15/7 post free U.K.

Name
(*Block letters please*)

Address
(*Block letters please*)

Remittance £ : : is enclosed. Date
Accy. 1/57

Quick work-well done



Imperial Typewriters have always been examples of fine engineering and sound workmanship. The modern, re-styled Imperial '66', beautifully designed, works so lightly and easily that you forget it—until you see what a quick, neat job you've done.

Imperial
typewriters



IMPERIAL TYPEWRITER CO. LTD.
LEICESTER AND HULL.

NOW READY

- *A standard, indispensable reference book*
- *A new edition, the 22nd, completely up-to-date*
- *Adopted by The Institute of Taxation for distribution to its members*

SPICER & PEGLER'S

Income Tax and Profits Tax

by H. A. R. J. WILSON, F.C.A., F.S.A.A.

Incorporating the provisions of the Finance Act 1956

Price 30s Post Free U.K. 31s 9d

H.F.L. (PUBLISHERS) LTD, 10 EARLHAM STREET, WC2



THIS UNDER-ARM ZIP FOLIO in rich coach-hide is just one of the fine range of document cases made by craftsmen at our works.

Next time you require a new case be sure to send for our illustrated brochure and price list.

WRITE TO

E. J. COOKE LTD.
TRINITY WORKS, CHARLES STREET
MANCHESTER, I

• *Accountancy*

• The air mail edition of ACCOUNTANCY is available either for subscription on a permanent basis or for odd periods charge for a year (for example, to cover a temporary stay abroad). It is printed on special thin paper, and the subscription of £1 1s. oversea subscriber receives —varies from £1 10s. each issue only a few days (Cyprus, Aden, Sudan) to after publication at £2 2s. (Australia, Japan, the beginning of the New Zealand). For destinations of intermediate distance, including the whole of North and South America, it is £1 16s. The charge for shorter periods is proportional. This covers only the cost of air mail postage, that of the special paper being borne by ACCOUNTANCY.

by Air

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Pension scheme—Partnership—Lump sum payment to be spread over ten years—Business of partnership transferred to company—Whether company entitled to any deduction in respect of lump sum payment by partnership—Finance Act, 1921, Section 32—S.R. & O. 1921, No. 1699, paragraph 6.

J. H. Clarke & Co. Ltd. v. Musker (C.R. June 28, 1956, T.R. 261) was a sequel to the conversion of a partnership business into a company. A partnership had established a pension fund and a lump sum payment of £7,650 had been made to it which was not "an ordinary annual contribution" within proviso (a) to Section 32 of the Finance Act, 1921, and which the Commissioners of Inland Revenue had directed to be spread over ten years. Upon February 19, 1951, a notice had been given effecting the discontinuance of the partnership, with the result that a new trade was to be regarded as being set up and commenced on April 8, 1950. The Special Commissioners had held that the company was not entitled to any deductions in respect of the lump sum payment to which its predecessors, the partnership, would have been entitled. They had held that the employer entitled to the deductions under Section 32 (1) of the Finance Act, 1921, which was to be spread under proviso (a) to the Section, was the employer who had made the contribution, paragraph 6 of S.R.O. 1921, No. 1699, being held to support this view. Vaisey, J., affirming their decision, said that he agreed with counsel for the Crown that it made no difference that the trade might in fact be the same trade and the trader, in substance, identical with its predecessor. Against his desires, he said, he felt himself bound by the decisions in *Batty v. Schroder* (1939, 18 A.T.C. 186; 23 T.C. 1) and *United Steel Companies Ltd. v. Cullington* (1940, A.C. 812; 18 A.T.C. 66; 23 T.C. 91).

The judgment contains few facts, Vaisey, J., saying they had been set out very fully in the stated case. Without access to this, there is little to be said except that where the change from firm to company is one of legal form rather than substance the extension of the

principle of Section 29 of Finance Act, 1927, now Section 343 of the Income Tax Act, 1952, with regard to the carry-forward of business losses might well be extended to the spreading of lump sum payments under proviso (a) to Section 32 of the 1921 Act, now Section 379 of the Income Tax Act, 1952. Such an extension would seem to be not only equitable but socially desirable.

Income Tax

Double taxation Convention—Overpayment of United States tax—Repayment of excess some years later—Appreciation of dollar against pound in interval—Whether difference between amount of overpayment calculated at old rate of exchange and same amount calculated at new rate taxable—Income Tax Act, 1952, Section 347; Schedule XVI, paragraph 15—Double Taxation (Taxes on Income) (U.S.A.) Order, 1946 (No. 1327), Article XIII (2).

Greig v. Ashton (Ch. July 6, 1956, T.R. 289) dealt with an important question arising out of the convention between this country and the United States of America, signed on April 16, 1945, and now operative by Statutory Order No. 1327 of 1946. By Article XIII (2) it is provided that, subject to such provisions as may be enacted in the United Kingdom, "which shall not affect the general principle hereof,"

United States tax payable in respect of income from sources within the United States shall be allowed as a credit against any United Kingdom tax payable in respect of that income.

The respondent, Winifred Ashton, better known as "Clemence Dane," was an author who had made profits in the U.S.A. in 1946; and her employer "apparently under a system analogous to our P.A.Y.E."—to quote from the judgment—had deducted some \$21,000. In addition, when leaving the U.S.A. she had been required to pay a further \$3,000, making \$24,000 in all. This was not, however, final; and in 1950 she had recovered all but \$11,000 odd on the grounds of over-assessment. At the time when she had paid the U.S.A. tax, the rate of exchange was \$4 to the £, but in 1950, when the liability was finally

settled, it had altered to \$2.80; and it was this fact that gave rise to the case.

The re-adjustment of United Kingdom tax following adjustment of foreign tax is dealt with in paragraph 15 of Schedule XVI, Income Tax Act, 1952; but no guidance is given on how fluctuations in exchange rates are to be dealt with. Respondent's contention was that the tax was for the year 1947 in respect of her activities in 1946, and that in the latter year she had paid \$24,000 instead of the correct figure of \$11,000 when the exchange rate was \$4 to the £, with the result that the credit to which she was entitled against her United Kingdom tax was the smaller sum calculated at the rate when, in terms of the Convention, the U.S.A. tax was "payable." For the Crown, it was contended that there were notionally two transactions: firstly, the credit of \$24,000 in 1947, converted at \$4 to the £, and, secondly, the repayment of \$13,000 in 1950, when the rate was \$2.80 to the £; and that the whole of the excess sterling value of the dollars repaid belonged to the Crown.

Expressed in figures, respondent claimed that the only credit she was entitled to was \$11,000 at \$4 to the £, that is, £2,750, the fact that the U.S.A. delay in settling her case gave her a profit of \$13,000 at (\$4—\$2.80) to the £, amounting to £1,393, being irrelevant. For the Crown, upon the other hand, the first stage was the credit of \$24,000 at \$4 to the £, that is, £6,000, and the second the refund to the Revenue of \$13,000 excess allowance, to be converted at the rate when refunded of \$2.80, that is, £4,643, making a net credit of only £1,357 tax. The difference between the two sets of figures would be as follows:

	£	£
Credit	2,750	
Profit on exchange ..	1,393	4,143
 Crown		
First stage. Credit ..	6,000	
Second stage. Debit ..	4,643	1,357
 Difference net		2,786

One feature of the case would seem to have made the Crown's case more difficult. Owing to delays, the respondent had never claimed credit in respect of the \$24,000. All she had claimed was \$11,000 at \$4 to the £. The Special Commissioners had upheld the respondent's contention; and Harman, J., approved their decision. He refused to lay down any principle that would be applicable to all cases, saying that he

had trouble enough with the puzzling matter which was before him. Nevertheless, he held that:

Alteration in the rate of exchange is purely an outside circumstance which has nothing to do with the liability for tax nor the way in which the Convention ought to be related to the law.

Although the subject is in general highly controversial, in the present writer's opinion the logic of the decision is inescapable. The relief under the convention is in respect of U.S.A. tax, that is dollars and not sterling, and, in circumstances like those under consideration, it will probably be generally accepted that for the purposes of credit any payment of U.S.A. tax has to be converted into sterling at the rate in force at the time of payment. If so, the 24,000 dollars paid in 1946 were, for the purposes of the convention, to be regarded as having a value, once and for all, of \$4 to the £. On this basis, if, as was the case, the number of dollars paid should have been only 11,000, then the respondent was entitled to get back from the U.S.A. Revenue the excess number; and what she got for them in sterling was, as the judge held, irrelevant to the question of tax liability. The principle, of course, cuts both ways.

Income Tax

Charity—League to promote the reading and writing of good English and, generally, the encouragement of literature—Deeds of covenant by members—No increase of subscription during covenant period—Restaurant and other facilities available to members—Whether covenant sums annual payments—Income Tax Act, 1952, Section 447.

In *C.I.R. v. National Book League* (Ch. July 11, 1956, T.R. 321) the respondent League (then called the National Book Council) had been incorporated in 1925 under the Companies Acts, 1908-17, as a company limited by guarantee with objects summarised in the heading to this note. During the war its premises had been destroyed by enemy action; but, after it, the League had greatly extended its activities and had acquired for that purpose the lease of a very beautiful house in the West End—No. 7 Albemarle

It is regretted that in our November issue on page 449 (line 36), in the article *Company Winding-up and Reconstruction*, the date April, 1951, was by a misprint given instead of April, 1949.

Street. The League had been accepted as a body established for charitable purposes only. Its members paid annual subscriptions, which had been increased as from January 1, 1952, to £1 10s. in the case of members living within thirty miles of Albemarle Street and 15s. for those living further away. These rates were to apply except in the case of members who, on renewing their membership up to and including August 31, 1952, entered into deeds of covenant to remain members and to pay their annual subscriptions at the previous rates for at least seven years. There were over 10,000 ordinary individual members, of whom 2,821 had entered into such deeds of covenant; and the question was whether the League was entitled to relief in respect of £2,820 tax notionally deducted from the covenant payments. The Special Commissioners, holding that the advantages derived by members "were so trifling as to justify us in describing them as affording no advantage of a substantial character," had decided in favour of the League; but, although this was a finding of fact, Vaisey, J., reversed their decision.

Before, however, considering the judgment, it is necessary to bear in mind that the fact of the League being recognised as a charity was irrelevant. The sole question was whether the covenant payments were "annual payments" from which the payers had the right to deduct tax under Section 169 of the Income Tax Act, 1952, or the duty to do so under Section 170. In *Earl Howe v. C.I.R.* (1919, 2 K.B. 336; 7 T.C. 289), Scrutton, L.J., said:

It is not all payments made every year from which income tax can be deducted. For instance, if a man agrees to pay a motor garage £500 a year for the hire and upkeep of a car . . . no one suggests the person paying can deduct income tax from each yearly payment

and in *In re Hanbury* (1939, 20 A.T.C. 332), Lord Greene, M.R., drew attention to the above dictum and declared that for the right to deduct tax by the payer to exist the payment must be the "pure income profit of the recipient." The decision of the Special Commissioners was one of those inexplicable findings of fact which Commissioners, both General and Special, make from time to time. Many readers of this note will be members of the League and will not need to read the judgment of Vaisey, J., to convince them that membership offers real and tangible benefits by way of club amenities. The present writer asked a female relative why she had joined. Her reply was:

I used to go to the annual lectures; but they have been discontinued. I gave up being a club member of the "X" as I find the League (premises) a more convenient place for meeting my daughter on her visits to London and much cheaper.

No one who is conversant with the facts will dissent from the judge's conclusions:

It is really absurd, and I think quite impossible, to find on the facts of this case that this was an ordinary charitable subscription paid by a contributor for the sole benefit of the charity as a charity.

In this passage he laid down quite clearly and admirably the test to be applied and, in the writer's opinion, almost all that followed could have been omitted. The case was at an end.

Accountancy

BINDING OF VOLUME 67

The index to Volume 67 (January—December, 1956) is enclosed with this issue of ACCOUNTANCY.

A grey binding case with white lettering will be obtainable from Simson Shand Ltd. They will bind subscribers' copies at a charge of £1 7s. 6d., or supply the binding case only at 10s., post free. Orders should be sent direct to Simson Shand Ltd., 12/14 Parliament Square, Hertford, Herts., accompanied by the appropriate remittance, the twelve monthly parts and the index. If the monthly parts are posted separately from the order and remittance, a note of the name and address of the sender should be enclosed.

Any missing parts should be obtained from the offices of ACCOUNTANCY at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2 and included in the parcel sent to the binders. As the cases are of a standard size, complete sets only can be bound.

Cases are available for earlier years and orders for cases or for binding can be accepted for any year at the same charges.

The Month in the City

Rally Follows Fall

The closing days of November were marked by an accentuation of the gloom that had already spread over all markets. There was exaggerated talk of a breakdown in the Atlantic Alliance and of the resignation of Sir Anthony Eden, to be followed by a general election and a Labour Government. This was only a prelude to Mr. Macmillan's increase in the petrol tax and talk of a possible upward revision of income tax in April. These reports, coupled with the realisation that preparations for clearing the Suez Canal were likely to be protracted and by the aftermath of past professional speculation, brought the Funds to the lowest level for over thirty years and industrial equities back to the prices of July, 1954—the yield on equities was the highest for some four years. Gold mining shares also fell to what was probably a new low for many years. Fortunately, at this point matters began to mend, in the political field if not in the economic. The Chancellor's strong speech in support of sterling had little effect on the Funds—and less visible result in the foreign exchange market—while gold shares rose over 10 per cent. in four days, but industrial Ordinary shares also improved, and the Funds very gradually made good the loss of the previous week. Somewhat later, the news of the I.M.F. dollar loan and the very good trade showing for November—caused mainly by inability to get imports—somewhat strengthened both Government credit and sterling. The latter was, however, still suffering from the drawing down of sterling balances from various quarters, not least Middle Eastern holders whose revenue from oil was being reduced by the cutting of pipe lines and the shortage of tankers. Between November 20 and December 18, there was a net fall in all fixed interest stocks and a net rise in equities of most varieties. The indices of the *Financial Times* show the following changes: Government stocks from 83.16 to 83.00; fixed interest from 92.32 to 91.46; industrial Ordinary shares from 167.2 to 174.5; and gold mines from 73.8 to 78.7. At the end of November, the figures were 82.38, 91.73, 161.5 and

71.1, respectively. Fixed interest dropped later to 91.49.

£40 million for I.C.I.

Towards the end of November, the *British Oxygen Debenture* issue had proved a flop, although the underwriters had been able without a loss to get out of so much of the 84 per cent. with which they were left as they did not wish to take firm. There was, therefore, some surprise when this event was almost immediately followed by rumours, later confirmed, of a large issue by *Imperial Chemical Industries*. This consisted of an offer of £40 million 5½ per cent. Convertible Unsecured loan stock at 96. Holders have the right to convert each £50 of the stock into 24 Ordinary shares of the company during July, 1958, or into 23 shares one year later, or, finally, into 22 shares in July, 1960. The offer is restricted to holders of Preference or Ordinary shares in the company and has to be accepted only by January 2, 1957. Calls are spread out until May 1 and the initial interest payment will be 32s. 10d. on July 1, 1957. The effect of the offer was, naturally, to depress the price of the shares, but this loss was gradually made good. The Board volunteers the information that the issue could have been deferred for a year without delaying the capital formation of various sorts for which the money is required, but that, after the fullest consideration, it was thought better to raise the funds now. Since this announcement, there have been some small issues. One at least, the offer of a "short" by *Bootle Corporation*, was a failure to the extent that 90 per cent. of the total was left with the underwriters.

Banking Developments

The British banks are not infrequently alleged to be unwilling to make any new departure, but last month brought two developments which may have considerable repercussions. The first in point of time was an announcement by the chairman of the *Commercial Bank of Scotland* that it proposes from now on to offer to customers, as an ordinary banking

service, advice on the arrangement of investment portfolios. Of course this has long been done by the trustee departments in respect of trusts, but the new service is intended for use by anyone who has a sufficient capital to be able to secure a reasonable spread. It is an established practice in North America, but here it is a distinct break with the tradition that bankers as such take no responsibility for giving advice on investment. The Commercial is thus competing with the investment trusts for those with substantial funds to invest. Incidentally, the report of this bank brought home two facts: first, that the proportion of deposits earning interest in Scotland is much higher than in England and exceeds the total of advances, and, second, that the new hire-purchase business was responsible for the rise in both advances and profits. At least one other Scottish bank has, however, secured an increase in earnings without the assistance of this new type of business.

The second development was the decision of the *Midland Bank* to advertise its gift cheque service on commercial television. The picture of a possible future in which the British banks seek custom by the extensive use of the newest of all advertising media is one which tends to bring home the fact that we live in a new world.

Steel Accounts

November produced the preliminary statements of a number of steel companies. Despite some labour trouble, most of these showed improved results, although dividends were generally unchanged. By far the best of the list is *Stewarts & Lloyds*. Sales are up by over 16 per cent. on the year and the proportion of turnover retained as trading profit is a point up at some 14 per cent. The net profit is up by over £1.5 million to £8.5 million, and last year's cash bonus is consolidated to make a final dividend of 12½ per cent., making 17½ per cent. for the year. The Board has decided to make a one-for-one free scrip issue. All this is very satisfactory. The result may owe something to the fact that domestic sales of tubes have increased, partly at the expense of exports, but very heavy capital outlay over recent years is probably the principal factor. The Board is to be congratulated upon a further expansion of the very full preliminary statement issued a year ago, which included a good deal of information outside the strictly financial field.

Points From Published Accounts

A Three-Year Comparison

An innovation in the profit and loss account of *Vitamins* is to show the total balance of unappropriated profits, an item that is, of course, repeated in the balance sheet. The business has also gone one step further than most in providing comparative figures for the two preceding years. The presentation has been handled very well, and nothing is lost in simplicity by adding the additional column of figures: both comparative columns are set on coloured backgrounds, giving the accounts a very handsome appearance.

A "Negative Reserve"

A revaluation of the properties owned by *Gordon Hotels* has thrown up a deficiency of £514,556, and this has been dealt with by setting up a deficiency account which is deducted from the issued capital. By adopting this method a note of realism has been introduced, which leaves shareholders in no doubt where they stand. What bearing this has had on the decision not to make any provision for depreciation or amortisation it is difficult to say. But presumably these assets will go on depreciating and some provision will need to be made for their replacement sooner or later.

The Case against Dividend Equalisation Reserves

A business that has consistently transferred sums to a dividend equalisation reserve in recent years is *I.B.E.* Even at the best of times there is little to be said in favour of making specific reserves of this nature, for they have little real meaning. This view tends to be confirmed by the chairman's statement in this instance; he points out that: "To ensure a measure of continuity to our dividends whilst these developments [entailing a fair amount of capital expenditure] are getting under way, a further transfer of £20,000 has been made to the dividend equalisation account, which now stands at £40,000."

Dividends, by their very nature, ought to be related to profits. Merely to earmark part of a year's net surplus as a

dividend equalisation reserve constitutes no guarantee that this money will not be used in the business, if the occasion should arise, in preference to maintaining the dividend; and by adopting this method *I.B.E.* seems to be implying that future profits are going to be largely required to meet the capital commitments of its development programme. Surely the more logical way of looking at things is that provision ought to be made for future development at this stage, leaving future profits to take care of dividends. In any event, as a matter of general policy it is far better to keep the number of specific reserves to an absolute minimum, or, preferably, to have none at all. After all, it is only providing half the story when, in all probability, the total of reserves is far from being matched by cash items alone, and it becomes a case of apportioning stock and other items to make sense of a specific reserve.

Not a Revenue Reserve

It is difficult to see how initial allowances can be described as a revenue reserve, yet this is done in the balance sheet of *Lawes Chemical Company*. At best the item is a provision against a future liability for taxation, and it would be far better to put the correct emphasis upon it by associating it with future tax.

Dangers in Capitalising Reserves?

One has a great deal of respect for the views of a man with the personality and vigour of Mr. J. E. V. Jobson, chairman of *Qualcast*, but it is a little difficult to understand the sentiment expressed in the following passage extracted from his statement accompanying the accounts for this year:

In view of the results, your directors had in mind a further transfer from reserves to capital account of, say, one for ten Ordinary shares, as the profits for the year justify this, but as a measure of precaution in view of the state of trade since April (of which more anon), they are not suggesting it at the moment.

A little further on Mr. Jobson, with justifiable pride, draws attention to the

fact that reserves and undistributed profits now aggregate 108 per cent. of the issued Ordinary capital. Surely when the growth of a business gets this far out of step with the size of the nominal capital, it becomes a matter of the utmost expediency to get some proportion back into things: we find it hard to see how the state of trade would make a modest book-keeping adjustment of the sort mentioned by Mr. Jobson dangerous to the undertaking. To go on widening the gap between the size of the assets employed and the nominal capital outstanding is surely more harmful, since it is discrepancies of this nature that lead to political attacks.

Dignity in Accounts

Manchester Liners' accounts this year have made their appearance in completely new format, complete with stiff cover. Instead of the balance sheet and profit and loss account being sandwiched into one double sheet as formerly, each account is now given a double-page spread to itself. The result is greatly increased readability and a more dignified appearance in keeping with the standing of the business. It is a pity, however, that investments are still treated as being something quite apart from current assets, and that liabilities and provisions are not described as being "current."

Too Much Simplification

An example of simplification carried to the extreme is provided by the accounts of *Savory and Moore*. Unfortunately any advantage gained has been more than lost by cramming too much into too small a space. It is on balance a disadvantage that the schedules to the two accounts have been made into a solid wedge of type and figures that have to be ploughed through in order to unravel the balance sheet and profit and loss account.

The disadvantages are particularly noticeable with the balance sheet, in which current assets merely stand in at their total of £652,038, and anyone wanting to learn their composition must look up Schedule 'D'. Similar treatment is accorded all the other items in the balance sheet. While we are in favour of cutting from the balance sheet a lot of unnecessary detail in order to form an opinion of a business it is imperative to know how the current assets, at least, are composed. *Savory and Moore* seems to be defeating its own objects in carrying simplification to such lengths.

Neville Industrial Securities Limited

The Midlands Issuing and Finance House providing a complete service for industrial companies to obtain capital and for the proprietors of private companies to market their holdings, and make provision for Death Duties.

Public offers for Sale and placings during 1947-56

Concentric Manufacturing Co Ltd	John Folkes (Lye Forge) Ltd
George Edmonds Ltd	Gibbs & Dandy Ltd
The Hill Top Foundry Co Ltd	Belgrave (Blackheath) Ltd
Fletcher, Houston & Co Ltd	Hallam, Sleigh & Cheston Ltd
Prima Industries Ltd	Strakers (Newcastle) Ltd
W. & J. Lawley Ltd	Elliot Paisley Ltd
Job Wheway & Son Ltd	Alfred Clough Ltd
Fordham Pressings Ltd	Wm. Park & Co
F. H. Tomkins Ltd	Forgemasters Ltd
J. T. Price & Co Ltd	Swinnertons Ltd
Zinc Alloy Rust-Proofing Co Ltd	Arthur Wood & Son (Longport) Ltd
Onions & Sons (Levellers) Ltd	C. E. Ramsden & Co Ltd
Wm. Sanders & Co (Wednesbury) Ltd	Prestage Ltd
R. & A. G. Crossland Ltd	Samuel Smith & Sons Ltd
Alfred Case & Co Ltd	Fry's (London) Ltd
John Hawley & Co (Walsall) Ltd	Sankey Green Wire Weaving Co Ltd
Bilston Foundries Ltd	J. Hewitt & Son (Fenton) Ltd
Craddock Brothers Ltd	A. R. & W. Cleaver Ltd
	Walkers (Century Oils) Ltd

Directors:

G. ROLAND DAWES, F.C.A., F.C.W.A.
E. CARL REEVES, B.Sc.(LOND.)
SIR GREVILLE F. LAMBERT, BART., F.C.A.

Secretary:

NORMAN E. HURST, A.C.A., F.C.I.S.

**Neville House, 42-46 Hagley Road,
Birmingham, 16**

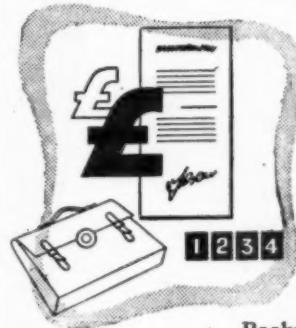
Telegraphic Address: 'TRUSTNEVIL, BIRMINGHAM'

Telephone: EDgbaston 5431 (4 lines)

Subsidiary Company:

NEVILLE INDUSTRIAL SECURITIES (S.W.) LTD
Baltic House, Mount Stuart Square, Cardiff

Telephone: CARDIFF 32255



FACTS AND FIGURES

- Stationery and printing can also be supplied by your nearest Smith's branch.

Books on company law, taxation, statistics, economics, new methods in accountancy and textbooks and reference books for professional examinations can be obtained through your local branch of Smith's. Any books not available on demand can be obtained from Head Office very quickly. Lists of the standard works on any subject gladly supplied.

W. H. SMITH & SON for technical books

HEAD OFFICE: STRAND HOUSE, LONDON, W.C.2

YOUR SUCCESS IS ASSURED

If you study by means of R.R.C. "no text-book" courses.

Complete inexpensive tuition by qualified tutors, with clear-cut guarantee, for all the principal Accountancy and Secretarial Examinations. Also for Law (Bar, LL.B.), Local Government, Banking, Civil Service, G.C.E., etc.

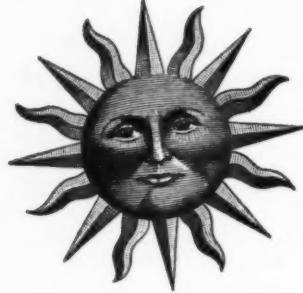
OVER 50,000 POST- WAR SUCCESSES

Write to-day, specifying your particular interest, to The Principal,

THE RAPID RESULTS COLLEGE

3, TUITION HOUSE, LONDON, S.W.19

or call at 235, Grand Buildings, Trafalgar Square, London, W.C.2 (W.H. 8877), or 19, City Buildings, 69 Corporation Street, Manchester 4 (BLA. 9515).



**FIRE ACCIDENT
MARINE**

Sun Insurance Office Ltd.
THE OLDEST INSURANCE OFFICE IN THE WORLD

HEAD OFFICE
63 THREADNEEDLE STREET · LONDON · E.C.2
Branches and Agencies throughout the World

**THE WORLD'S GREATEST
BOOKSHOP**

FOYLES
* * FOR BOOKS * *

STOCK OF OVER 3 MILLION VOLUMES

JOIN THE BOOK CLUB!

You buy best-selling Books (published at 10/6, 12/6 & more) for ONLY 4/-. Write today for details!

..... FILL IN THIS ENROLMENT FORM

I wish to join The Book Club, and agree to purchase the book issued each month to members at a cost of 4s. (postage 9d.). I agree to continue my membership for a minimum of six books and thereafter until countermanded.

* I will pay for selections on receipt.
 * I enclose 28s. 6d. for six months' subscription.
 Place ✓ in the space above, as required.

NAME

ADDRESS

119-125 CHARING CROSS ROAD,
LONDON, W.C.2

GERtrard 5660 (20 lines)
Two minutes from Tottenham Court Road Station

Open 9-6 (inc. Sat.)

ALL ACCOUNTANTS SHOULD READ

**The
City Observer**

ESTABLISHED 1856

**TO LEARN THE BUSINESS WORLD'S
VIEWS AND NEWS**

Each Month a New Feature
of Topical Interest

Flashlight on Affairs

City Men's Bookshelf

Round the World

Company Reports

City Comment

THE CITY OBSERVER is the monthly paper of British business, reporting on company and tax matters, financial results and accountancy problems for industry, trade, finance and commerce.

THE CITY OBSERVER enjoys national coverage. It is read by chairmen, directors, accountants, secretaries and top-executives in industry, trade, finance and commerce. Readers comprise members of the business hierarchy, which represents the most informed opinion and the highest income groups.

**THE CITY OBSERVER IS AN ARGOSY
OF INFORMATION**

only 4d. each month:
Subscription 6 sh. per annum post free.

The City Observer

Editorial and Advertisement Offices

**70 BLANDFORD STREET,
PORTMAN SQUARE, LONDON, W.I.**

TELEPHONE: WELbeck 4088

"No Provision for Depreciation is Required"

A new slant is given to the controversy about historical *versus* replacement costs in the accounts of *W. and J. Sagar*. A note appended to the profit and loss account points out that an independent valuation of the plant and machinery was made during the year, and showed the value of these assets at March 31 last (the date of the balance sheet) to be considerably in excess of their net book value. Bearing in mind this valuation, the directors have decided that, "as regards the major portion of the plant and machinery, no provision for depreciation is required this year and accordingly none has been made." The result of this decision is a sharp drop in this provision from £18,960 to £1,718.

The most important consideration arising from this decision concerns the eventual replacement of the fixed assets. Because the current value of these assets shows a surplus over their written-down cost it does not follow that depreciation should not be put aside. The example of

many other companies that have up-valued their fixed assets may be cited. The fixed assets will fall to be replaced at some time—and since the replacement will be at the then current values, depreciation should be provided against that time. Ideally it should be based upon these "then current" values, but most people would regard present current values as the nearest estimate that can in practice be taken.

Showing What Goes in Tax

Roneo is another business that has taken pains to see that shareholders have as much detailed information as it is possible to give about the composition

of the tax charge. Most concerns merely content themselves with showing the total United Kingdom income tax debited and the total profits tax liability on distributed profits. If there is a large stake overseas it is usual for the overseas proportion of the total charge also to be shown separately. *Roneo*, however, lays its tax item out as below.

Whether such detail within the profit and loss account itself is desirable is a moot point, but there is certainly a lot to be said for throwing as much light as possible upon a very complicated subject, particularly when it comes to distinguishing between the current and the future liability.

	<i>Current</i>	<i>Future</i>	
	£	£	£
United Kingdom income tax Schedule A and deductions from investment income	5,201		
Reserve for income tax to cover estimated liability based upon the accounts up to and including June 30, 1956		250,662	
Other United Kingdom taxation on profits	52,006		
Taxation other than United Kingdom	1,733	7,277	
	58,940	257,939	
			316,879

Letter to the Editor

P11D

Sir,—In our experience, the Inland Revenue treatment of P11D expenses is about as inequitable as between one taxpayer and another as it could possibly be.

We have one client whom we have advised that he should refrain from drawing his expenses allowance, and have it commuted as salary, because the £200 is quite blatantly disguised salary: his salary is £1,400.

We have another client whose salary is approximately £10,000, and he is not allowed expenses for entertaining, other than £400. This man has international contacts, he runs an international business which he has expanded considerably. His Inspector of Taxes is showing a continued niggling attitude towards this expenses claim. Since the expenditure is chiefly accounted for by week-end entertaining of foreign and

Dominion clients and top executives, the Inspector's attitude is in our view outrageous.

The clerical effort of logging the expenditure of individual executives is tremendous—for example, if two executives attend the same function, the expenditure has to be divided between them.

It would appear that there is springing up an unwritten code as to what expenditure is subject to P11D declaration and treatment, and what is not; and the whole subject is becoming an elaborate "know-how" racket, with the dice heavily weighted in favour of the accountants who are prepared to analyse on a functional basis (using quite proper accounting technique), distributing over all sorts of account-heads those expenses which would otherwise be questioned.

The attitude of the Inland Revenue towards commercial travellers and out-

side representatives, is, in our experience, almost always on the basis that the taxpayer concerned has submitted an inflated claim. The net result is that there is a bigger inflation of the expenditure and a bigger cut in it—and the process rebounds to the disadvantage of the taxpayer.

There is only one answer to the mess that we are in: cut direct taxation. If we do not cut it, in another generation the moral and ethical outlook of the nation will have degenerated enormously.

As I have mentioned particular cases, I consider that this letter should be anonymous.

Yours faithfully,
London. "LIBERTAS"

[There is no doubt that there have been abuses by taxpayers in connection with expenses and we sympathise with the Inland Revenue in their attempts to prevent the abuses. However, it is unhappily true that Rule 7 of Schedule E requires amendment, as suggested by the recent Royal Commission, and that in the meantime many Inspectors of Taxes seem to show a lack of proportion in dealing with expenses.—Editor, ACCOUNTANCY.]

Publications

New Sources of Local Revenue. Report of a Study Group of the Royal Institute of Public Administration. Pp. 260. (*George Allen and Unwin Ltd.*: 25s. net.)

THIS STUDY, the result of two years' research by an eminent panel under the chairmanship of Mr. F. A. Cockfield, formerly a Commissioner of Inland Revenue, is concerned with the rising trend of financial aid from the central government to local authorities and the consequent growth of administrative control from the centre. The inquiry seeks ways of halting and, indeed, reversing this trend, by making additional revenues at their own disposal available to local authorities. Whilst rates are approved as the main basis of local authority income, the group does not consider them to be suitable or adequate as the sole basis.

The growth and changes in the present sources of revenue are examined and local taxation overseas is reviewed; investigations are made into taxes on land and buildings, local income taxes, poll taxes and taxes on sales, entertainments and road transport.

Possible modifications and improvements in the existing rating system are considered and the withdrawal of de-rating is recommended. Site value rating, capital value rating and the rating of unoccupied sites and buildings are discussed but not recommended.

The chapter on a local income tax is perhaps the kernel of the study. The group has had the advantage of access to a wealth of material, collected in Sweden by Mr. A. L. Imrie and Mr. L. S. Murphy and printed as a supplement to the book, relating to the local income tax levied in that country. The problems of assessment, collection and allocation of such a tax are considered in some detail. The study group concludes that local authorities in England and Wales should be empowered to charge a local income tax on all personal income, with a simplified basis of assessment, and at a uniform rate, not to exceed 3d. in the £, on all incomes.

There are also brought under review local entertainment taxes, taxes on motor fuel and motor vehicles, fees for driving licences, taxes on parking meters, sales taxes, poll taxes, assigned revenues and a central municipal fund.

Local authorities should be granted powers to levy a local entertainment

tax, the duty now charged centrally being withdrawn, states the study group. Motor vehicle duties and fees for driving licences should be transferred to the authorities but their freedom to determine the conditions and rates of duties should be limited by statute.

The recommendations on what the group considers to be practicable sources of additional revenue may not find universal acceptance, but they are stated with reason and clarity. This most readable book provides an enjoyable and informative exposition of a highly important subject, and will well repay study by all concerned for the future of local government in this country. C.H.P.

Manual on the Law of Meetings, their Conduct and Procedure. By Sebag Shaw, LL.B., Barrister-at-Law, and E. Dennis Smith, LL.M., Barrister-at-Law. Prepared for the Corporation of Secretaries. Pp. xxviii + 291. (*Macdonald & Evans, Ltd.*: 18s. net.)

THE PRACTISING accountant spends a considerable proportion of his time preparing for, attending, recording, and reporting meetings of many kinds—directors' meetings, general meetings of companies, and, alas, meetings of creditors in liquidation and bankruptcy proceedings. The accountant in industry is no less immune. Indeed in these days we are all meeting-conscious; from international affairs to the local darts club matters have to be decided at meetings, although it is seldom that those who attend give much thought to the laws of meetings, their conduct and procedure.

This manual, which has now reached its third edition, traces in the first part the development from custom to the common law. In part two are considered the rules governing meetings in general from their internal aspect. Part three deals in detail with the law relating to meetings of various types, including in particular substantial sections on meetings under the Companies Act, 1948, and meetings of local authorities. Little specific attention is given to meetings of trade associations which have become so numerous and so important in recent years, nor to trade union meetings. The important provisions of the Defamation Act, 1952, and their implications have been incorporated in this edition.

Although it is appreciated that decisions at meetings are governed by the wishes of the majority, nevertheless minorities have rights as well, especially under the Companies Act, 1948, and a more detailed consideration of these

rights would have been helpful.

A better knowledge of conduct and procedure (especially by chairmen) would often result in meetings being concluded both with more speed and with more satisfaction to those present. Much of the confusion which is often felt by the participants could be avoided.

This book is a valuable work of reference and the chapters on conduct and procedure should be of great interest and assistance not only to the accountant but to all who, from desire or necessity, attend meetings of any kind—and that means everyone. L.J.D.J.

Schedule A Tax—Its Assessment and Collection. By Donald L. Forbes, F.C.A. Fourth Edition. Pp. xii + 108. (*Gee & Co. (Publishers) Ltd.*: 15s. net.)

IT IS WITH a sense of relief that one picks up a tax book today and finds that it runs to very little more than 100 pages. Despite the slimness of this book, however, Mr. Forbes has dealt in considerable detail with almost every aspect of tax on property ownership, ranging from rare payments under the First Fruits and Tents Measure to day-to-day problems of premiums on leases, blocks of flats and furnished lettings, and from shop fronts in new towns to the replacement of the dustbin in a maintenance claim.

The recent rating revaluation makes this new edition especially timely. As Mr. Forbes points out, "whilst for the time being there may be no reconciliation between Schedule A and rating assessments so far as dwelling houses are concerned, and there is some comfort in that the former cannot be raised to equal the latter without special provision in a future Finance Act, it is obvious that unless Schedule A is abolished in the meanwhile, the two assessments will be closely linked in the not too far distant future."

Helpful examples in figures show how the various assessments and reliefs are computed. For instance, the example under weekly tenancies makes it clear that the concessionary 1/26th deduction in respect of property let weekly is computed on the net rent—that is, the rent after deduction of rates. In future editions the section dealing with maintenance claims might usefully be completed with an illustration of the layout for a maintenance claim covering the current tax year and six back years of claim, with the seven "years of claim" along the top and eleven "years of outlay" down the side. One would also like to see in the section on furnished

lettings a fuller treatment of earned income relief—particularly important where wife's earned income is concerned—with a reference to the comments in ACCOUNTANCY of August and October, 1953 (pages 265 and 335).

A detailed index is included—an adjunct that if the book is used for reference is a necessary one, since the text is divided into four untitled chapters only.

Mr. Forbes is to be congratulated on his successful achievement in combining specific detail with brevity. This is certainly a book for the up-to-date tax library.

L.A.H.

Economics for Students. By Leo T. Little. Pp. vi+652. (Jordan and Sons: 18s. 6d. net.)

THE POPULARITY OF this textbook is reflected in the appearance of a revised fourteenth edition under a new title. The mere fact, however, that a book is popular amongst students does not necessarily signify that it is a good textbook. There are far too many economics textbooks at the present time that serve no other purpose than to provide the student with the barest essentials for his examination. To feed students with examination material is an important function, but it is more important that such a book should also teach by providing the basis of a systematic body of thought. Economics consists not of a body of rules and laws to be learned by heart and to be reproduced *ad lib.* on the examination paper. Rather it is a tool of analysis whereby the student may examine particular economic situations and draw from them intelligent conclusions. So many examiners bemoan the absence of this approach in the scripts of their candidates that it is clear that many textbooks used by students fail to satisfy this particular requirement.

Mr. Little's book, however, meets the need extremely well. It is strong in the treatment of economic theory as such; as in the sections on value, the returns to factors of production, various economic laws and the equilibrium of the firm. Mr. Little, however, is not merely a theorist. An outstanding feature of this latest edition is the remarkably extensive section on applied economics. All the international bodies—for example, GATT, the IMF and EPU, as well as those nearer home such as the Capital Issues Committee, are discussed fully but concisely. The sections on Bank Rate and credit control are really up-to-date and clearly expounded, as are the

theory and practice of taxation and budgetary policy. To instance only one very current topic fully covered, the expenditure tax, the discussion on this difficult issue is as fair as it is thorough and lucid.

This is one of the two best and the most-up-to-date textbooks available for the professional student. The author's journalistic experience is reflected in an attractive and readable (though not "journalistic") mode of exposition. To some extent the title is misleading, for it would be a great pity if the book were to be read only by students. Large sections, particularly those on applied economics, can be confidently recommended to the accountant who wishes to inform himself on some of the present-day economic problems, e.g. our balance of payments difficulties, the rôle of sterling, and the basis of modern government economic policy. A.R.I.

Tax Problems of the Family Company. By Milton Grundy, M.A., Barrister-at-Law. Pp. x+178. (Sweet & Maxwell Ltd.: 17s. 6d. net.)

MR. GRUNDY IN this book states that "as far as estate duty is concerned the Revenue benefit almost exclusively from the unlucky, the ungenerous and the unwise." The obvious conclusion to be drawn from reading the book is that the wise man has no income, and when he dies, no estate.

The book sets out to be a guide to the problems of the family company, and covers the ground admirably.

The first part summarises the taxation problems, giving the statutory provisions regarding income tax, profits tax, and estate duty so far as they affect the private company.

The intelligent director reading this part of the book will be led to appreciate the taxation pitfalls besetting his path, and will be enabled to discuss with his professional advisers the future of his business with much greater understanding. The accountant will find this first part a useful reminder of the provisions relating to the various taxes, usually given in separate text books. The chapter on estate duty covers the involved subjects of Section 46 and 55 with considerable clarity.

The second part of the book is entitled "Tax Planning for the Family Company." It emphasises the importance of considering the family and the company together for taxation purposes, and also of dealing with income tax, profits tax, and estate duty together. In most family businesses the majority of

the capital is owned, and the income received by the founder of the business, usually the father or grandfather. The problem of getting money out of the business or splitting up the share capital for estate duty purposes is considered in all its aspects.

The section on covenants and discretionary trusts will be of special value, for these subjects are not normally dealt with in text books, except those of a specialised legal character.

The book is a useful addition to any accountant's book shelves, and could be read with great profit by newly-qualified accountants.

There would appear to be two errors in the text, which should be corrected in later editions. On page 50 the formula for calculating abatement where there is franked investment income has been reversed, and on page 92 the effect of a group notice is not quite accurately stated.

J.E.S.

Books Received

Borough of Luton—Abstract of Accounts for the Year ended March 31, 1956. Pp. 290. (Borough Treasurer, Town Hall, Luton.)

Accounting for Intra-Company Transfers. Research Series No. 30. Pp. 48. (National Association of Cost Accountants, 505 Park Avenue, New York 22, N.Y., U.S.A.: \$1.)

Insurance as it Affects the Public Accountant and Secretary. By John A. Wyatt, F.C.A. (Aust.). Pp. 8. Reprinted from the *Accountants' and Secretaries' Educational Journal* for July 4, 1956. (The Accountants' and Secretaries' Educational Society, Brisbane, Australia. No price given.)

Tax Cases. Reported under the Direction of the Board of Inland Revenue. Vol. 36, Part 5. Pp. 68. (Her Majesty's Stationery Office: 3s. net.)

The Manual of Modern Business Equipment. Part 14, Wood Office Furniture. Pp. 36; Part 15, Charts and Planboards for Visual Control Systems. Pp. 36; Part 16, Reproduction Processes Pt. II (Photo-copying and Micro-filming). Pp. 34; Part 17, Inter-communication Equipment (Telephonic). Pp. 36. (Macdonald & Evans, Ltd.: 4s. 6d. each part. Series of 25, when completed, including two loose-leaf binders, £5 5s.)

First parts of Manual were reviewed in ACCOUNTANCY, March, 1956, page 104.

Guide to the Law of Trustee Savings Banks. By C. L. Lawton, LL.D., Barrister-at-Law. Pp. xxxi+907+27. (The Savings Banks Institute, 35 Welbeck Street, London, W.I.: 42s. net.)

City of Leeds—Facts and Figures, 1956. An appendix to the Annual Report of the Finance and Parliamentary Committee to the City Council for the year ended March 31, 1956. Pp. 62. (*City Treasurer, Civic Hall, Leeds, 1.*)

"Taxation" Key to Profits Tax. Finance Act, 1956, Provisions. Edited by Ronald Staples. Pp. 285. (*Taxation Publishing Co. Ltd., 98 Park Street, London, W.I.*: 10s. net, 10s. 5d. post free.)

Consequential Loss—Insurances and Claims. By Denis Riley, F.C.I.I. Pp. x+351+12. (*Sweet & Maxwell, Ltd.*: 50s. net.)

Annual Report of the Executive Directors of the International Monetary Fund for the fiscal year ended April 30, 1956. Pp. xi+197. (*International Monetary Fund, 1818 H Street N.W., Washington, 25, D.C., U.S.A.*)

Basic Rates of Capital Allowances (Annual) for Plant Machinery and other assets in common use in the Engineering Industry, March, 1953. Pp. 12. **The Finance Act, 1956—A Summary for Engineers, and Capital Allowances Supplement.** Pp. 13. (*Engineering Industries Association, 9 Seymour Street, London, W.I.*: 3s. 6d. net each.)

The Accountant and the Revenue. A Review of Current Practice. Reprints of excerpts from articles which appeared in *The Income Tax Digest and Accountants' Review* during 1956. Pp. 35. (*The Fiscal Press, Ltd., P.O. Box 45, St. Albans, Herts.*: 10s. 6d. net.)

Buckingham County Council. Accounts for the year ended March 31, 1956. Pp. 185. (*County Treasurer, County Offices, Aylesbury.*)

City of Johannesburg. Abstract of accounts for the year ended June 30, 1956. Pp. 341. (*City Treasurer, P.O. Box 1450, Johannesburg.*)

Readers' Points and Queries

Interpretation of Terms

Reader's Query.—I should appreciate enlightenment on the use in Indian fiscal legislation of the following differential phraseology: "It shall be deemed to be"; "it shall be treated as if"; and "it shall be taken to be." Have these three phrases the same connotation, or are they merely interchangeable terms with no particular fineness of meaning?

In Section 35(7), relating to rectification of mistakes, the words used are: "it shall be deemed to be a mistake apparent on the record." In the next sub-Section (8), however, the words used are "determine the sum on the basis of such computation or recompilation as if the computation or recompilation is a mistake apparent on the record," while in the Schedule dealing with insurance companies the words used are "the profits and gain of life insurance business shall be taken to be." In Section 35(7) a fiction is created that a distribution for reduction of a company's profit does not automatically result in the reduction of shareholders' distribution: therefore, the word "deemed" seems to be more appropriate. In Section 35(8), the assessment of a firm automatically affects the assessment of partners: hence "as if" seems to be more appropriate than "deemed." In the case of insurance companies, "taken to be" has perhaps the connotation of substitute of "surplus" for "profits" as used in Section 10(1), so that readjustment of such surplus on the basis of certain expenditure allowable under Section 10(2) becomes possible. A "deemed" fiction cannot be subjected to

analysis of its component parts: hence the differential use of "to be taken as." Is there any substance in this view?

Reply.—*In our opinion, none of the terms mentioned by our reader has any special meaning, and the general rule applies that words have to be given their ordinary meaning unless the context makes this impossible or inept. (The onus of proof of special meaning lies on the person so contending.)*

The question is essentially a practical one, whether the enactment, whatever its precise wording, gives clear and unambiguous guidance upon the particular matter. There would seem to be little doubt about it in the present instance.

Branch or Subsidiary?

Reader's Query.—The article in the August issue of ACCOUNTANCY (pages 305-7) is particularly applicable to a branch recently opened on the mainland by a company in the Isle of Wight, and I shall be obliged if a full and legal definition of the word "distinct" can be given.

In the paragraph headed "Taxation Aspects" it states that a branch is treated as one taxable entity with the main unit unless it can be established that distinct trades are carried on. The normal meaning of distinct is "separate," but will you please enlarge upon this definition?

Is a branch on the mainland sufficiently distinct to be rendered liable to separate treatment for income tax purposes?

The island organisation carries on two

separate businesses, one entirely wholesale and the other entirely manufacturing; the business on the mainland is entirely wholesale, dealing with exactly similar goods to those dealt in on the island.

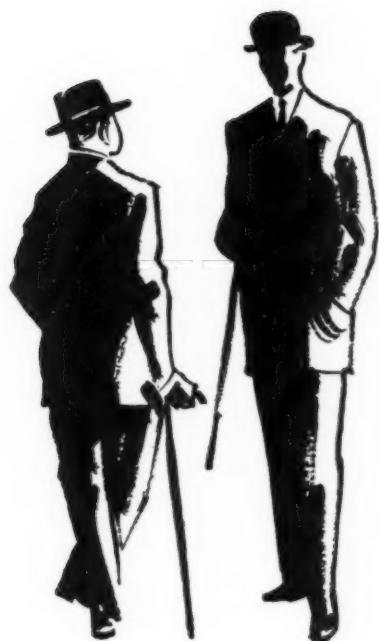
The directors in the Isle of Wight control both the island business and that on the mainland, and one complete set of books only is kept for all businesses.

Reply.—*As with many other taxation terms "distinct" has no statutory definition. (Neither for that matter has "trade.") "Distinct" as used in the article may be found in Section 142 of the Income Tax Act, 1952—"A person (including a company) who carries on . . . two or more distinct trades . . ." It was on this Section that the relevant statement in the article was based.*

It will be appreciated also that "tax under Schedule D (Case I) shall be charged . . . in respect of any trade carried on in the United Kingdom or elsewhere" (Section 123, Income Tax Act, 1952) and that for profits tax purposes all businesses, to which profits tax applies, carried on by the same person are treated as one trade for profits tax purposes.

Whether or not the activities of a branch are "distinct", or separate, is a question of fact and not of law, and the Commissioners' findings in such cases if supported by evidence may not be disturbed. An illustration of this point may be found in ACCOUNTANCY for January, 1953 (page 20), and for July, 1953 (page 225), relating to North Central Wagon and Finance Company Ltd. v. Fifield, from which it will be seen that the mainland branch does not constitute a distinct trade for tax purposes.

For these purposes neither geography nor history is a determining factor. The essential test is rather: is the branch "commercially" separate?



How does the smaller firm raise new capital?

As long as credit restrictions are in force, this may be difficult. For those firms concerned in work of national importance, the best answer may be ICFC. The Corporation provides long-term loans and share-capital, in amounts between £5,000 and £200,000.

Ask your own accountant, solicitor or bank—or write for our booklet “Capital for Business and Where to Find it” to Dept. R, at any of the addresses below.



INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Head Office: 7 DRAPERS' GARDENS, LONDON, E.C.2. NATIONAL 8621/5

*Branches: BIRMINGHAM—214 HAGLEY ROAD, EDBASTON 4181
MANCHESTER—73 WHITWORTH STREET, CENTRAL 5429
EDINBURGH—33 CHARLOTTE SQUARE, EDINBURGH 30212*

LEICESTER—31 FRIAR LANE, GRANBY 854

LEEDS—HEADROW HOUSE, LEEDS 2-2727

D. C. Potter, LL.B., and H. H. Monroe, M.A.

assisted by H. G. S. PLUNKETT
Barristers-at-Law

TAX PLANNING with Precedents

"This excellent work has a twofold purpose. First, to elucidate the principles concerned with 'tax planning,' which term the learned authors define as the appreciation of tax incidence as a factor in the disposition of property which can be made between a man and his family: the term 'tax' includes income tax, surtax, estate duty and stamp duties. Second, and of even greater importance, it provides the legal draftsman with a large number of precedents—supplementary to existing conveyancing precedents—to be used where tax considerations are of prime importance. . . . This book should prove invaluable to every practitioner and not merely to those specialising in revenue law. . . . It can safely be predicted that this work will become a necessity for every practising barrister and solicitor."—*The Modern Law Review*.

second edition £2 11s. 9d. post paid

William Phillips

Barrister-at-Law

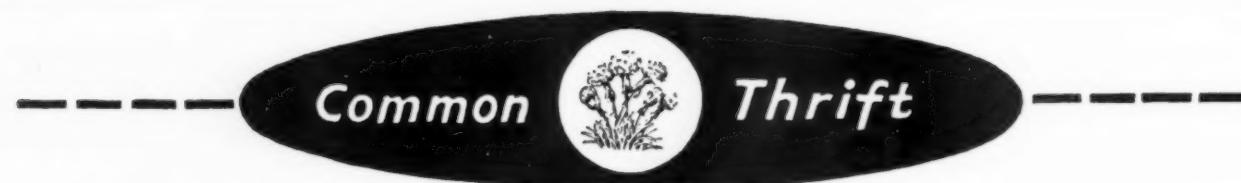
PENSION SCHEME PRECEDENTS

The Finance Act, 1956, has broken new ground. Hitherto only the "employed" whose employer was willing to contribute to the cost could make provision for old-age retirement to their tax advantage. Now the "self-employed" can also do so, as can any of the ten million "employed" who have received no co-operation from their employer.

There have been no concomitant simplifications of the law, however; already confused and to some extent discordant, it is now even more complex. Consider that there are eight types of pension scheme, each subject to different legal requirements; add to this the fact that some of these eight types of scheme may be established by as many as seven different kinds of constitution. In order to clarify matters the Author has set out the law in Part I; in order to explain why one precedent rather than another should be employed in a particular scheme he has introduced commentary between the precedents in the other five Parts.

£4 6s. post paid

Sweet & Maxwell 2 and 3 Chancery Lane : London : W.C.2



**MINIMUM
DIVIDEND ON SHARES**

for 1956/7

3½%

SPECIAL
DEPOSITS FOR A
FIXED PERIOD OF
THREE YEARS,
GUARANTEED IN-
TEREST 3½% P.A.
FREE OF INCOME
TAX.

ASSETS: £6,500,000

The Society is paying an *interim* dividend on Shares at the annual rate of 3½%—the Society pays the income tax. You may trust us to pay the *final* dividend at a higher rate if we can afford it **WITH SAFETY**. Write for informative booklet.

Write for full particulars

THE CITY OF LONDON BUILDING SOCIETY

(formerly Fourth City Building Society)

34 LONDON WALL · LONDON · E.C.2

Tel.: MONarch 2525/6/7

Legal Notes

Executorship Law and Trusts—

Election

It sometimes happens that a testator in his will purports to dispose of property that does not belong to him and also gives to the true owner benefits in other property. By the equitable doctrine of election the true owner is then given a choice: he can either take the benefit under the will and allow his own property to be treated as the property of the testator or he can keep his own property and renounce the benefits given to him by the will.

In Re Edwards deceased [1956] 3 W.L.R. 771, under a will made early in 1952 E. bequeathed the house in which she lived and the residue of her estate to seven beneficiaries of whom W. was one. Subsequently E. and W. made an oral agreement under which E. promised to leave the house to W. in her will, if W. would come to live with her for the rest of her life. W. carried out her part of the bargain and lived with E. until her death a few months later. E.'s attempt to leave the house to W. failed as the codicil was not properly executed, but the Court found that a binding agreement had been made and the house was duly conveyed to W. The question then arose whether W. was also entitled to have a share in the residue.

It was clear that if the will had been made after the agreement the doctrine of election would apply, but it was argued on behalf of W. that the fact that the will had been made before the agreement made all the difference. Upjohn, J., held that this made no difference, that the doctrine of election did apply and that as W. had already elected to take the house she could not take any benefit in the residue.

Executorship Law and Trusts—

Election

Another case of election came before the courts in **Re Dicey deceased** [1956] 3 W.L.R. 981. By her will D. left two houses to A. and another house and the residue of her estate to B. In fact the two houses left to A. did not belong to the testatrix; under a deed of family arrangement she had a life interest in them, but on her death B. became entitled to a half share in them and A. and his brother C. to a quarter share each. It

was claimed by A. that B. must make an election, but B. contended that the doctrine of election did not apply, because owing to the interest of C. in the houses he himself could not ensure that A. should take the houses in accordance with the terms of the will. The Court of Appeal held that the doctrine of election was not limited to cases in which the person whose property is given away can, by abandoning his own title to or interest in that property, enable the purported gift to take full effect according to its precise terms: B. must either give up his right to a half share in the houses or renounce his rights under the will.

Insolvency—

Effect of Writ of Sequestration against Bankrupt's Property

A writ of sequestration may be issued against the estate and effects of any person who is by order directed to pay money into Court or to do any other act within a limited time and who wilfully disobeys the order. In **Coles v. Coles** [1956] 3 W.L.R. 861, a wife had obtained a maintenance order against her husband and he had fallen seriously into arrears with his payments. In August, 1954, the wife issued a writ of sequestration and this was registered against a house which belonged to her husband. The effect of the writ was to allow persons called sequestrators to obtain the rents and profits from the house; it did not vest the property in the wife or give her any charge over it, but she was entitled to apply to the Court for an order that the sequestrators should pay over to her from the monies in their hands the sums owed to her by her husband.

In March, 1955, a bankruptcy petition was presented against the husband and this was followed by a receiving order in July, 1955, and an adjudication in March, 1955. Meanwhile in April, 1955, the Court, with knowledge of the facts existing at that date, had made an order authorising the sequestrators to pay over moneys to the wife. The trustee in bankruptcy now applied for an order discharging the writ of sequestration on the ground that under the Bankruptcy Act, 1914, the house vested in him and that the writ of sequestration was a clog which ought to be discharged.

Collingwood, J., said that the writ had been issued before any act of bankruptcy in respect of a debt which the wife could not prove in bankruptcy: on the principles laid down in **Bendall v. McWhirter** [1952] 2 Q.B. 466, the house passed to the trustee subject to all the

equities and liabilities that affected it in the bankrupt's hands and to all dispositions that had been validly made by the bankrupt and to all rights that had been validly acquired by third persons at the commencement of the bankruptcy unless the property that the trustee took was released by some express provision of the bankruptcy law; the husband was still in contempt of court and there was no reason why the writ of sequestration should be discharged.

Miscellaneous—

Landlord and Tenant

The House of Lords has held in **Wheeler v. Mercer** [1956] 3 W.L.R. 841, that a tenancy at will of business premises is not protected under the Landlord and Tenant Act, 1954.

Miscellaneous—

Service Tenancy

One of the grounds on which a Court may make an order for possession under the Rent Acts, if the Court considers it reasonable so to do, is that "the dwelling-house is reasonably required by the landlord for occupation as a residence for some person engaged in his whole-time employment . . . and the tenant was in the employment of the landlord or a former landlord and the dwelling-house was let to him in consequence of that employment and he has ceased to be in that employment."

A new point on this arose in **Duncan v. Hay** [1956] 1 W.L.R. 1329. A hospital was tenant of a farm, and sublet a farm cottage to H. as a consequence of his employment by the hospital as a farm foreman. The hospital later gave up its tenancy of the farm and the cottage, and the freeholder let both to D. H. was offered employment by D., but declined the offer and accepted instead fresh employment with the hospital in its laundry. D. then claimed possession against H., because he wanted the cottage for his cowman.

The case turned on the meaning of the words "and he has ceased to be in that employment." Did they mean that the tenant must have left the employment of the landlord or former landlord altogether, or that he had given up the particular employment in consequence of which the cottage had been let to him? The Court of Appeal held that the first alternative was correct and accordingly the landlord was not entitled to possession.

The Student's Columns

I—THE PENALTY PROVISIONS OF THE INCOME TAX ACT, 1952

IN THE NOVEMBER issue of ACCOUNTANCY (page 467) there were listed the Sections of the Income Tax Act, 1952, that provide for penalties to be extracted from a taxpayer for offences against the Revenue. The provisions of these Sections ensure that a dishonest taxpayer will have to pay heavily for his crimes. Of course, the penalties have to be paid in addition to the normal tax payable for the year of assessment.

Under Section 18, it is the duty of every taxpayer who is chargeable to income tax for any year of assessment to inform the Inspector that he is so liable before the end of that year. Where there is no liability to tax, therefore, this Section does not apply. If any liability does arise and the taxpayer cannot prove a reasonable excuse for his failure to give such notice, the maximum penalty is £20 and treble the tax chargeable by *direct* assessment. The latter sum will not include the tax in respect of dividends and other income taxed at source, as these are not chargeable by assessment.

Section 20 provides that if the Inspector requires a person to make a return of his income, he must do so whether or not he is chargeable to tax. If the person is not liable to tax, failure to complete the return renders him liable to a maximum penalty of £5 for each offence. Where the person is liable to tax, Section 25 will apply instead of Section 20. Section 25 states that where the taxpayer has been required to make a true and correct list of his income but neglects, refuses or wilfully delays the delivery thereof, he is liable to the penalties laid down in Section 18. Thus, you are liable to penalties if you do not inform the Inland Revenue that you are chargeable to tax or if the Revenue thinks you are but you do not give it the required information to determine your liability. Where in a back duty case the taxpayer refuses to supply any of his records or bank statements, the Commissioners of Inland Revenue can invoke Section 31. Under the provisions of this Section they can require any person who has failed to deliver a statement of the profits arising from any trade, profession or vocation to make available to any of their officers all books, accounts and documents in his possession or power that contain information relating to the transactions of the trade, etc. The penalty is not to exceed £50 a day for every day during which the offence continues. The books and documents must be in the taxpayer's possession or under his control; a company cannot be required to produce its shareholders' private bank pass books (*Haythornthwaite & Sons, Ltd. v. Kelly* (1927) 11 T.C. 657). A penalty of £50 a day is also provided under Section 20, Finance Act, 1956, under which any person carrying on a trade or

business may be required by the Inspector to make a return of all fees and commissions paid by him to persons not employed in that trade or business.

If the accountant is concerned with a case involving assessments under Schedule D only, he must study the provisions of Section 49. These cover the situation where the Additional or General Commissioners have made an assessment in excess of the profits shown by the statement delivered by the taxpayer or, not later than three years after any year of assessment, discover that an assessment ought to be made in excess of that originally made by them or of that based on the taxpayer's statement of profits. Unless the taxpayer can prove to the satisfaction of the Commissioners that the omission of profits did not arise from any fraud or wilful neglect by him, he is liable to a penalty not exceeding treble the tax on the amount of the excess.

Section 90 applies where any person renders false returns relating to property or refuses or neglects to produce any lease with intent to conceal the annual value of any premises. The maximum penalty is £20, together with treble the tax chargeable on the annual value of the premises and included in the assessment.

Where a person makes any annual payment out of profits or gains not brought into charge to tax, under Section 170 he must deduct tax at the standard rate and pay only the net amount to the payee. The tax deducted must be accounted for to the Inland Revenue. Failure to render an account of such payments to the Commissioners of Inland Revenue renders the payer liable to a penalty of £100. A similar maximum penalty is provided under Section 199 in respect of offences in connection with any one distribution of dividends or interest, where any dividend or interest warrant fails to show the gross amount of the dividend, the tax deducted therefrom, the net amount paid and, where applicable, the net United Kingdom rate. If any person refuses to allow any deduction of tax from annual payments, dividends or rent, he can forfeit under Section 506 the sum of £50.

Sections 402 and 410 provide penalties in connection with settlements on children and revocable settlements. Section 414 provides for a penalty of £50 on any person who without reasonable excuse fails to supply particulars of transfers of income to persons resident or domiciled outside the United Kingdom.

The Inland Revenue have adequate powers under the provisions of Section 48 and the Sixth Schedule to enforce a monetary payment where fraud by the taxpayer is proved. Before dealing with these provisions, however, it must be realised that any person who makes a false

statement or representation for the purpose of obtaining any allowance, reduction, rebate or repayment in respect of income tax is liable to imprisonment for a term not exceeding six months. Prior to the Criminal Justice Act, 1948, this imprisonment was with hard labour! Cases are frequently reported in the local newspapers of taxpayers being prosecuted under this Section in respect of claims for child relief for non-existent children.

Section 48 provides that where a person ought to be but has not been charged to tax because he has:

- (a) fraudulently changed his place of residence or fraudulently conveyed any of his property; or
- (b) made and delivered a statement which is false or fraudulent; or
- (c) fraudulently converted any of his property which was chargeable, by altering any security relating thereto or by fraudulently rendering it temporarily unproductive, in order not to be charged for the same or any part thereof; or
- (d) been guilty of any falsehood, wilful neglect, fraud, covin, art or contrivance whatsoever,

he shall be assessed and charged treble the income tax that should have been charged upon him. Where a charge has already been made, the penalty is only treble the additional tax now payable. The tax will be computed

after giving all allowances and reliefs to which the taxpayer may be entitled. Similar provisions will be found in Section 235 in respect of surtax. Negligence or carelessness does not amount to fraud; there must be an intent to deceive, actual deception and some loss suffered thereby (*Derry v. Peek* (1889) A.C. 337).

The penalty under Section 48, however, is not as onerous as that under paragraph 4 of the Sixth Schedule. Under the latter the penalty is £20 and treble the tax at the standard rate on the taxpayer's income from all sources. No allowance is made for any tax which has already been paid in respect of that income. In *Lord Advocate v. McLaren* (1905) 5 T.C. 110, it was decided that the Court could not mitigate the penalty. As with Section 48, paragraph 4 can apply only where fraud is proved. For obvious reasons, in such cases the Inland Revenue normally claim penalties under paragraph 4 rather than Section 48.

The Commissioners of Inland Revenue may mitigate any fine or penalty both before and after judgment or stay any proceedings for the recovery thereof (Section 500). When negotiations are taking place between the taxpayer and the Inspector, it is frequently possible to obtain the latter's agreement (subject to confirmation by the Board of Inland Revenue) to a mitigation of the full penalties.

II—BRANCH ACCOUNTS*

IN OUR DISCUSSION so far, the records of branch transactions have been kept at head office. But the records may be maintained at the branch—perhaps because of distance from head office or because the branch is organised as a semi-independent trading establishment.

The head office will finance the branch and probably will supply it with all its goods or a great part of them. There will be remittances of cash and transfers of goods to and from head office, as well as other transactions affecting the set of books at the branch and that at head office. In reality, the relationship between head office and branch might be likened to that between debtor and creditor, with the branch usually being the "debtor" of head office.

In the head office books, there will be a "branch current account" which will be debited with cash and goods sent to the branch and credited with value received from the branch. Correspondingly, in the branch books there will be a head office current account containing the very same items as those appearing in the branch current account in head office books. The head office current account may be likened to the capital account of the branch. The balance on this account at the end of a

trading period represents the net assets belonging to head office and constituting the capital of the branch.

It should be clear that as every transaction between head office and branch is housed in the two current accounts, the balance on one account must always be equal to the balance on the other. The "net value" of the branch, its capital, is precisely the equivalent of the investment by the head office in the branch. Before attempting to close the accounts of the business, the agreement between the two accounts must be sought and effected.

It will frequently happen that goods or cash are in transit between a branch and head office at the close of the trading period. Then the relative records concerning the items in transit will have been made in the one set of books but not in the other, and the balances on the current accounts will differ. It will be necessary to make the appropriate adjustment for the items in transit. All the assets of the business, including all those that are reposing at the branch, are truly the property of head office: the adjusting entries for items in transit must therefore always be made in the head office journal, cash or goods in transit being debited and branch current account being credited. The balances on the respective current accounts will then agree and an asset account is created for the value in transit. After the accounts for the period have been taken out, the amounts representing

*The first part of this article appeared in our November issue (pages 464-5) and the second part in our December issue (pages 505-6).

items in transit will be written back to branch current account. It will be seen that when differences arise only the head office books need entries.

When the current account balances are agreed, it becomes possible to incorporate the results of the branch activities into the head office books in order to prepare final accounts for the whole business. One method is for the branch to draw up its own revenue account, the net profit or loss being taken to head office current account (as stated, the capital account of the branch). The only balances remaining in the branch books will be those denoting assets and liabilities, for all revenue items will have been disposed of by transfer to the revenue account. One liability is that due to head office (the balance on current account) and if the profit or loss of the branch, now appearing in this account, is reported to head office, it will credit a profit (or debit a loss) to the profit and loss account at head office and debit (credit) the amount to branch current account, thus again achieving a balance. The head office balance sheet will now contain, in place of the item "branch current account," the assets and liabilities of the branch, the corresponding items being amalgamated in the balance sheet. The balances on the current accounts, being equal and on opposite sides, will cancel out.

An alternative method of incorporating the branch results in the head office books is to take the whole of the revenue balances of the branch, instead of the final figure of profit or loss. A head office journal entry is made, debiting all the debit revenue items such as opening stock, purchases, wages, and so on, as shown on the trial balance at the branch, and crediting the credit revenue items, such as sales. The balance of these accounts represents the net profit or loss of the branch and will be taken to the branch current account, so that this account now contains, as by the first method, the net profit or loss of the branch. By means of the detailed entries inherent in the second method, it becomes possible to draw up in the head office books a trading account and a profit and loss account showing the total sales, purchases, gross profits, expenses and the like, instead of the head office figures alone, with the net profit or loss of the branch incorporated as a single item.

A branch may be operating abroad in a different currency. The accounting entries will be the same as those already outlined for a branch that keeps its own records. The branch current account in the head office books should, however, also be provided, for memoranda purposes only, with extra columns for the currency equivalent of the branch transactions. The entries in these columns will facilitate the reconciliation, already noted as essential, between the respective current accounts. But before the branch results can be written into the head office books, it will be necessary to convert the trial balance from currency into sterling. If there is little fluctuation in exchange rates—as at the present time, for most currencies—it is desirable to convert all items at a fixed rate of exchange, except that cash remitted must be put at actual cost or realised proceeds. The balance on head office current account will have to be converted to the

actual sterling figure representing the balance on branch current account in the head office books: it will not be possible to convert at the fixed rate of exchange, since remittances, unlike all other items, have been converted, not at the fixed rate but at actual rates. To enable the converted trial balance to agree, an account called "difference on exchange account" will be opened in head office books and the adjusting amount debited or credited to this account, the branch current account being credited or debited. This difference account will then be written-off to the profit and loss account of the head office.

Sometimes the rate of exchange is not stable, so that conversion cannot be at a fixed rate. Rules that might then be followed with advantage are:

(a) Fixed assets should be converted at the rate ruling at the date of acquisition: the sterling amount will thus be constant each year. Depreciation, although a revenue charge, should be calculated on the same basis.

(b) Long-term liabilities should be converted at the rates ruling when incurred.

(c) Current assets and liabilities should be converted at the rate prevailing at the date of the balance sheet.

(d) Revenue balances should be converted at the average rate ruling for the period of the account.

(e) Remittances and the balance on the head office current account will be taken as stated in the preceding paragraph.

These rules might require adjustment in certain circumstances. For example, if depreciation is based not on historical costs but on replacement costs, the charge against revenue would be shown at the average rate for the period of the account. The difference between the "average" figure and the "cost" figure deducted from the asset in the balance sheet should be taken to a reserve or written-off against profit and loss appropriation account. Again, all items in the trading account might be taken at a fixed rate, but the closing stock for balance sheet purposes will be converted in the same way as any other current asset. The gross profit or loss is thus not distorted by reason of exchange differences and yet the figure of stock in the balance sheet is consistent with the other current items there.

Consider the following examination question:

Question

A branch was opened in a foreign country on January 1 and conversion of currency to sterling was to be based on accepted accounting principles.

The trial balance in currency (say, pesos) at December 31 was as under:

	Pesos		Pesos
Fixtures at cost	31,000	Creditors	1,984
Stock at cost	22,143	Head office current	
Debtors	4,608	account	38,245
Bank balance	1,664	Net profits for year	16,736
		Provision for	
		depreciation	2,450
	<hr/> 59,415		<hr/> 59,415

Fixtures were purchased locally as follows: January 1,

Code	Total free pay to date	Code	Total free pay to date	Code	Total free pay to date	Code	Total free pay to date
	£ s.	46	186 11	91	321 17	136	535 1
		47	190 13	92	325 19	137	541 4
		48	93	328 0	138	547 7	
		49	332 2	139	553 10		
		50	334 3	140	559 13		
1	Nil						
6	6 3	96	338 5	141	565 16		
7	12 6	97	340 6	142	571 19		
8	18 9	98	344 8	143	578 2		
9	22 11	99	346 9	144	584 5		
10	28 14		350 11	145	590 8		
11	32 16		352 12	146	596		
12	38 19		356 14	147	601		
13	45		15	148			
14	51		17	149			
	5						

How's your mental arithmetic?

Whether your mental arithmetic is good or not is less important when you realise that with Kalamazoo Copy-Writer, 52 SETS OF £. s. d. FIGURES PER AVERAGE EMPLOYEE ARE REDUCED TO 16 !!

By preparing Pay Roll, Tax Deduction Record and Pay Advice at one writing, 65% less figures are written—a striking saving.

Copying mistakes are automatically reduced, less queries come from employees, and the P.9 Tax card need only be completed once yearly.

Also, have you seen the alternative tax calculation method which avoids re-working the deduction each week? A boon indeed!

Over 10,000 firms now use the Copy-Writer Wages routine. Find out about it for yourself. Post the coupon for complete details.

Kalamazoo
COPY-WRITER
FOR WAGES & SALARIES

To : Kalamazoo Ltd., Birmingham, 31.

Please send me, without obligation, details of the Kalamazoo Copy-Writer Wages routine.

Name

Firm

Address

AC



QUEEN ELIZABETH I OPENS THE ROYAL EXCHANGE

On January 23rd, 1571, Queen Elizabeth I opened Sir Thomas Gresham's Exchange in the City of London. It did not, however, survive the Great Fire of 1666 and a new building was erected in 1669. This, too, was burnt down and the present Royal Exchange was opened by Queen Victoria in 1844. Appropriately it was the setting for the public proclamation in the City of the accession of Queen Elizabeth II.

Today, the Royal Exchange Assurance still conducts its business from here, as it has done for almost two and a half centuries. Royal Exchange Assurance offers favourable terms for Life and Endowment policies. Other types of insurance can also be arranged for the family and home. Enquiries are welcomed at the Head Office, Royal Exchange, London, E.C.3, or any local branch.

ROYAL EXCHANGE ASSURANCE

Incorporated by Royal Charter in 1720

All classes of Insurance transacted. Branches throughout the United Kingdom.

pesos 1,800 and June 30, pesos 13,000. Depreciation was 10 per cent. per annum from the date of purchase.

Stock was made up entirely of goods from head office costing £363 paid in sterling; the market value at December 31 was pesos 24,350. The branch current account at December 31 in the head office books was £786.

To incorporate these results into the head office accounts it is necessary to convert the trial balance into sterling. The rate of exchange was pesos 40 to the £ on January 1, depreciating by pesos 2 per month to December 31, when the rate was 64 to the £.

Trial Balance at December 31					
Conversion					
	Pesos	Pesos	Rate	£	£
Fixtures:					
(a) purchased					
June 30	18,000		40	450	
(b) purchased					
December 31	13,000		52	250	
Depreciation:					
On (a) above		1,800	40		45
On (b) above		650	52		12
Stock ..	22,143		Actual	363	
Debtors ..	4,608		64	72	
Bank ..	1,664		64	26	
Creditors ..	1,984		64		31
Head office					
current account	38,345	Actual		786	
Net Profit ..	16,736	See Note		312	
Loss on exchange		1 below			
		Balancing item		25	
	59,415	59,415		1,186	1,186

NOTES:

1. The profit and loss account as given in the question has already been charged with depreciation. If the balance of pesos 16,736 were all converted at the average rate (52), depreciation would automatically have been charged in the sterling accounts on a basis other than cost. Hence it is necessary to ascertain the position of the revenue items excluding depreciation. Thus isolated, depreciation will be charged at its proper rate:

	£	Pesos
Net profit for year as given	16,736
Add depreciation	2,450
		19,186

Pesos 19,186 at 52 to £	369
Less depreciation	57
		312

2. The average rate is arrived at by averaging the average monthly rates—thus, $41+43+\dots+63 \div 12 = 52$. If only the rates at January and December had been given, the mean of the two would be taken.

3. An account entitled "loss on exchange" would be opened in head office books and debited with £25, the branch current account being credited with the same figure. In the final accounts, the amount would be written-off against profit. A "gain on exchange" is best carried forward as a reserve against future losses. The branch is not concerned for accounting purposes with profits or losses on exchange.

4. Stock is taken at cost, since market value is higher than cost.

[Concluded]

Notices

The Accountants' Christian Fellowship will hold the following meetings in January:

January 7. Meeting for Bible reading and prayer. (The Scripture will be Matthew, Chap. 13, verse 33—the parable of the leaven in the loaves.) At 12.30 p.m. in the vestry at St. Mary Woolnoth Church, King William Street, E.C.3.

January 25. "What do Christians Really Believe?" by the Rev. George B. Duncan, M.A. (Vicar of Christ Church, Cockfosters), followed by a short discussion for students on the teaching of the Bible in relation to points on the address. At 6 p.m. at Incorporated Accountants' Hall, Victoria Embankment, W.C.2.

The first **electronic typewriter** consists of the IBM electric typewriter with the addition of an electronic "reading" device, which automatically sets tabulating stops for filling in business forms. The forms are

printed with vertical lines in electrically conductive ink. The IBM factory at Greenock is producing the typewriter in co-operation with factories in seven other European countries, each undertaking the manufacture of a certain part and exchanging it with parts made by the others.

Electronics in the Office is the subject of a lecture by Mr. G. J. Mills, A.C.I.S., Deputy Comptroller of J. Lyons & Co. Ltd., to be given at 6.15 p.m. on January 15 at a meeting of the London Branch of the Chartered Institute of Secretaries. This will be held at the Chartered Auctioneers' and Estate Agents' Institute, 29 Lincoln's Inn Fields, London, W.C.2.

A special sub-committee on **Automation in the Office** has been formed by the Council of the Office Management Association. The 1957 Conference, to be held in Scarborough in May, 1957, will consider the practical application of electronic equipment. In addition, a number of meetings and conferences on various aspects of automation have been arranged by branches of the Association in various towns and special

study groups have been or are being formed in London, Birmingham, Bristol, Liverpool and Nottingham.

The Regent Street Polytechnic announces that a course on **Presentation of Accounting Information** will be held on six successive Wednesdays from January 16, from 2 to 5 p.m., and one on **Management Control through Accounting** will start on January 11 and continue for fourteen Friday evenings, from 6 to 7.30 p.m. Further information is obtainable from the Registrar of the Department of Management Studies, St. Katharine's House, 194 Albany Street, London, N.W.1.

Buying and Selling Business Concerns is the subject of a booklet issued by Messrs. Christie & Co., agents and valuers, of 7 Baker Street, London, W.1. The booklet takes the form of questions and answers on points that have been often raised by vendors and purchasers. Readers are advised on the desirability of consulting solicitors and accountants, and are told that "accountancy fees are probably still the lowest in the land for essential professional services."

THE SOCIETY OF Incorporated Accountants

District Societies and Branches

Central African Branch

The address of Mr. B. Gelfand, A.S.A.A., the honorary secretary of the Central African Branch, is now P.O. Box 1854, 15 Forbes Avenue, Salisbury, Southern Rhodesia.



MR. K. T. WOOD, F.S.A.A.

The new Chairman of the Central African Branch, Mr. K. T. Wood, F.S.A.A., served his articles in London with the late Mr. J. S. Hann, F.S.A.A., and after qualifying as an Incorporated Accountant in 1929 remained for a short period with Messrs. Lawrence, Hann & Best before joining the Department of Taxes of Southern Rhodesia in 1931. He served in the Department for fourteen years, becoming Collector of Income Tax at Bulawayo and acting Assistant Commissioner of Taxes, but resigned these offices in 1945 to take up the appointment of secretary of the Salisbury Board of Executors Ltd. Since 1951 he has been in practice as a partner in Messrs. Derry, Ellman-Brown & Fraser, Chartered Accountants (S.R.), in Salisbury, Southern Rhodesia.

Mr. Wood was elected a member of the Committee of the Central African Branch on its formation in 1954, and became Vice-Chairman last year.

Nottingham, Derby and Lincoln

MR. N. B. WALLIS, F.S.A.A., has been elected President, and Mr. R. F. Prior, F.S.A.A., Vice-President.

South Wales and Monmouthshire



MR. K. G. SIM, F.S.A.A.

The new President of the South Wales and Monmouthshire District Society, Mr. K. G. Sim, F.S.A.A., is senior partner in Messrs. Friend, Ellis & Co., of Newport, Mon. He qualified in 1934 after serving articles with the late Mr. A. H. Friend, F.S.A.A. Mr. Sim has always taken a keen interest in the work of the District Society, and particularly of the Newport Students' Section, of which he has been Chairman both before and after the war.

He is a governor of St. Julian's High School, Newport. He was educated at the school and has held most offices in the Old Boys' Association.

Sussex

MR. P. G. BARNETT has been elected President, and Mr. R. C. Methold and Mr. J. Meares Vice-Presidents.

Annual Report

The membership is 214 Fellows and Associates and 124 students.

There is a British United Provident Association group for District Society members.

The Committee congratulates the students who passed the Society's examinations. Two were successful in both Parts of the Final, six in Part I, one in Part II, and eight in the Intermediate.

Swansea and South-West Wales



MR. G. E. GIBBS, F.S.A.A., J.P.

Mr. G. E. Gibbs, F.S.A.A., J.P., has been elected President of the Swansea and South West Wales District Society. He qualified in 1927, after several years with Messrs. Frank C. Bevan & Co., Incorporated Accountants, Swansea, and later became a partner in the firm. He obtained his Fellowship in 1951.

Until his election as Vice-President in 1955, Mr. Gibbs had for some time been the Honorary Auditor of the District Society.

Mr. Gibbs is also well known for his outside activities, being a Justice of the Peace for the County of Glamorgan and Chairman and President of various local societies.

Automation

A DINNER of the Incorporated Accountants' Birmingham and District Society was held at the Queen's Hotel, Birmingham, on November 13. The guests were received by the President of the District Society, Mr. C. H. Hills, F.S.A.A., together with Mrs. Hills, and Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants) and Lady Yeabsley. The company included the Lord Mayor of Birmingham (Alderman E. W. Apps, J.P.) and the Lady Mayoress (Mrs. J. Collins); Sir Wilfrid Martineau, M.C., T.D., M.A.; Mr. J. Fawcett (President, The Association of Her Majesty's Inspectors of Taxes, Birmingham Centre) and Mrs. Fawcett; Mr. D. H. Buchanan (President, Birmingham Local Centre, Institute of Bankers), and Mrs. Buchanan; and other representatives of professional bodies, commerce and the Inland Revenue.

Mr. W. G. A. Russell, F.S.A.A. (member of the Council of the Society of Incorporated Accountants), proposing "The City of Birmingham," said that contributors to the Bishop of Birmingham's Jubilee Fund for the building of churches in the new housing estates now totalled more than £425,000 towards the target of £1,200,000.

The Lord Mayor of Birmingham (Alderman E. W. Apps), responding to the toast, also commended the Bishop of Birmingham's Jubilee Fund. He asked that contributions for Hungarian relief should be sent to his own International Relief Fund, which would eventually be sent to the Lord Mayor of London. The total collected was now over £5,000.

Sir Wilfrid Martineau, M.C., T.D., M.A., proposing the toast of the Society of Incorporated Accountants, referred to the complexity of the examinations to which aspiring members of the Society were subjected and commended the high standard of integrity and discipline demanded by the Society.

Sir Richard Yeabsley (President of the Society of Incorporated Accountants), in response, said a lot had been heard in the past few months of automation and its effect upon employment. The word was recently defined as "machines minding machines". This definition would seem to suggest complete evolution—it certainly suggested the end of monotonous tasks. All this was to the good, but it had been achieved by a long and often arduous process. Over the span of human endeavour there came to mind such words as improvisation, co-ordination, organisation, mechanisation, rationalisation and specialisation. For decades progressive manufacturers had been applying schemes of advanced mechanisation, governed by technical instruments and automatic controls, to raise the level of productivity and reduce the ultimate unit cost—results which were vitally necessary throughout the national economy if full employment was to be maintained and the standard of living increased. British industry must keep abreast, or indeed ahead, in technological progress and development. This required capital expenditure in two forms: education and plant.

The nation must realise the vital need in this electrical and nuclear age to provide scientists and highly skilled technicians by whose brains we could maintain our lead in electrical engineering and other fields and produce the goods that would sell abroad to pay for the goods we wanted.

The second requisite was plant, including electronic equipment. The exhortation under the credit squeeze to invest sparingly in capital goods could only be short-term or short-sighted policy.

Some might think that the accountancy profession was only remotely concerned with these matters. But automation, through the medium of electronic and mechanical accounting, was revolutionising accounting techniques in the sense of records and auditing techniques in the sense of verification of transactions. Incorporated Accountants should be in the van of these great developments, remembering the words of Charles Kettering: "I am very interested in the future because that is where I shall spend the rest of my life."

Mr. C. H. Hills, F.S.A.A. (President of the District Society) proposed the toast of the guests, which was acknowledged by Mr. D. H. Buchanan (President of the Birmingham Local Centre of the Institute of Bankers) and Mr. J. Fawcett (President of the Association of Her Majesty's Inspectors of Taxes, Birmingham Centre).

Certain people would call the tax gatherers a body of wolves, and the accountants had been described judicially as "watch dogs." When a watch dog was set against wolves, which was likely to win?

Other accountants lived in the scrub land between the tottering business and the abyss of bankruptcy. The bankrupt looked happy, the accountants looked happier and the creditors looked sad.

The Courts found accountants of great help. They were people to whom the Courts could turn to reconcile difficulties which at first sight might appear to be beyond reconciliation.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., President of the Society of Incorporated Accountants, responded.

He said that of the qualities expected of them as accountants few would disagree that the first was fearless integrity. It was no overstatement to say that their conduct in that respect largely determined the high standard of commercial morality that the country enjoyed. The accountant, in his daily avocation as auditor, as adviser on financial matters, as arbiter in the determination of tax liability, and in other ways, must form and state an opinion on matters affecting not only his client's pocket but the pockets of most people. Theirs was an important position of trust, and with trust there must be responsibility. The commercial world, Government Departments and—last but by no means least—the general public looked to them for dispassionate judgment. The keynote of the profession, and of the Society in particular, was fearless integrity.

They did well to remember that any statement, be it balance sheet, account or report, should be both full and fair, with particular stress on the latter. Indeed, was not the quality of fairness also one that they should exemplify to the full? They should be mindful not only of the loyalty they owed to their clients, the business community and the general public, but of the loyalty they owed to their colleagues in the profession. That loyalty could be expressed by fairness in dealings with them and by applying a high standard of skill in professional work.

Finally, he stressed that they should be fearless in their endeavours—not boastful or dictatorial, but with due humility holding fast to and by their conduct expressing that which was good.

Mr. Harry Ryden, F.S.A.A., President of the District Society, proposed the toast of "Our Guests," and in a special welcome to the ladies said he hoped it

The Qualities Expected of Us

THE INCORPORATED ACCOUNTANTS' District Society of North Lancashire held a dinner in the Bull and Royal Hotel, Preston, on November 6. Mr. Harry Ryden, F.S.A.A., President of the District Society, was in the chair. The guests included the Mayor and Mayoress of Preston (Alderman and Mrs. Edgar Hewitt); Mr. Arthur E. Jalland, Q.C. (Recorder of Preston); Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants); Sir Arthur Binns, C.B.E., M.C., M.A., B.Sc. (Chief Education Officer for Lancashire) and Lady Binns; Mrs. Harry Ryden; the Mayor and Mayoress of Blackpool (Alderman Herbert Henson, J.P., and Mrs. Henson); and other representatives of civic life and of the professions. This was the first occasion on which ladies had been invited.

Mr. Arthur E. Jalland, Q.C., Recorder of Preston, proposed the toast of the Society of Incorporated Accountants. He described accountants as being among the "privileged" classes of the community. Some made their living, or part of it, in the "no man's land" which lay somewhere between the tax gatherer and the tax payer.

would be the first of many occasions when they would bring their colour and cheerfulness to the event.

The Mayor of Preston, Alderman Edgar Hewitt, in response, expressed the hope that the Society would go on from strength to strength.

Sir Arthur Binns also replied to the toast.

The Need for Contemplation

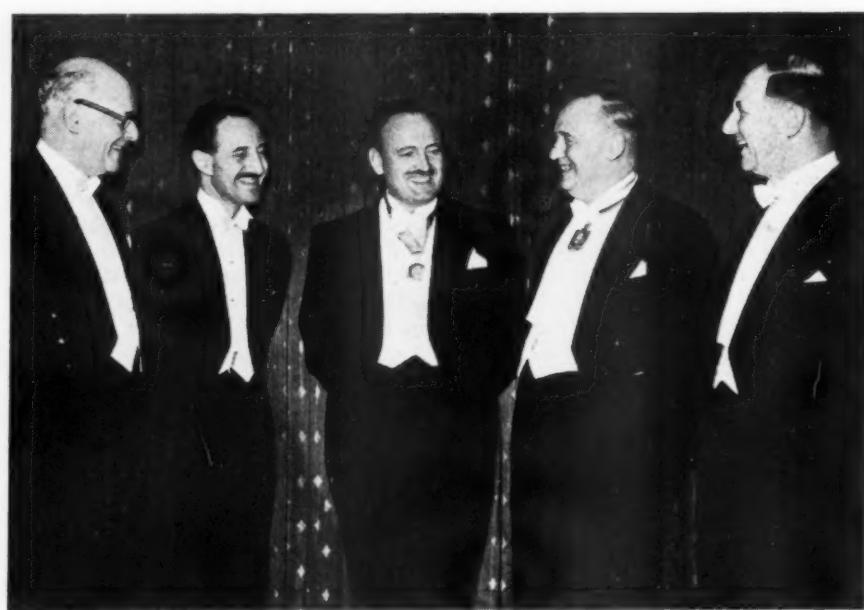
A DINNER WAS held by the Incorporated Accountants' District Society of Northern Ireland in the Grand Central Hotel, Belfast, on November 20. The chair was taken by the President of the District Society, Mr. R. J. Neely, F.S.A.A., and the guests included the Lord Mayor of Belfast (Alderman R. J. R. Harcourt, J.P.); Captain the Rt. Hon. Terence M. O'Neill, D.L., M.P. (Minister of Finance); the Rt. Hon. Lord MacDermott, LL.D. (Lord Chief Justice); Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants); Sir Eric Ashby, D.S.C., S.C.D., D.I.C., LL.D. (Vice-Chancellor of Queen's University, Belfast); Judge G. B. Hanna, Q.C.; Mr. J. A. F. Craig, O.B.E. (Secretary of the Society of Incorporated Accountants); and others representative of professional bodies and commerce.

Mr. R. J. Neely, F.S.A.A. (President of the Northern Ireland Society) proposed the toast of the Government of Northern Ireland. He said that taxation made it almost impossible for the individual to save or for the limited company to accumulate capital. The Ulster Government should bear in mind that companies there were largely family concerns.

The Minister of Finance (Captain the Rt. Hon. Terence O'Neill, D.L., M.P.) replied to the toast. He observed that new industries had a valuable effect in keeping at home some of their best citizens, who might otherwise seek their future overseas.

The Lord Chief Justice of Northern Ireland (the Rt. Hon. Lord MacDermott, LL.D.) proposed the toast of the Society of Incorporated Accountants.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants), in response, said that in the course of their daily avocation accountants must read many letters, memoranda, and reports, as well as the daily and technical press. Drawing from the experiences and writings of



At the dinner of the Incorporated Accountants' District Society of Northern Ireland—from left to right: The Rt. Hon. Lord MacDermott of Belmont (Lord Chief Justice of Northern Ireland); Captain the Rt. Hon. Terence O'Neill (Minister of Finance); Mr. R. J. Neely (President of the District Society); Sir Richard Yeabsley (President of the Society of Incorporated Accountants); and Sir Eric Ashley (Vice-Chancellor of Queen's University, Belfast).

others, they accepted much without enquiry as being based on established principle, and they tended to become slaves of convention and custom—which had once been called the plague of wise men and the idol of fools. How often did they sit back and think out a problem, or challenge, even mentally, some conception regarded as axiomatic?

The profession was fortunate in having at least three members—Professor F. Sewell Bray, Professor Browning and Professor Baxter—who devoted part of their time to fundamental research and thinking. Accountants should ever be mindful of the need for contemplation, usually associated with the elder brethren, and for the challenging inquisitiveness of youth. He quoted from Kipling's *The Elephant's Child*:

I keep six honest serving men
(They taught me all I knew):
Their names are What and Why and When
And How and Where and Who.

But there was a later verse:

I let them rest from nine till five,
For I am busy then,
As well as breakfast, lunch and tea,
For they are hungry men.

Was not that typical of many of them?
And what an indictment it was!

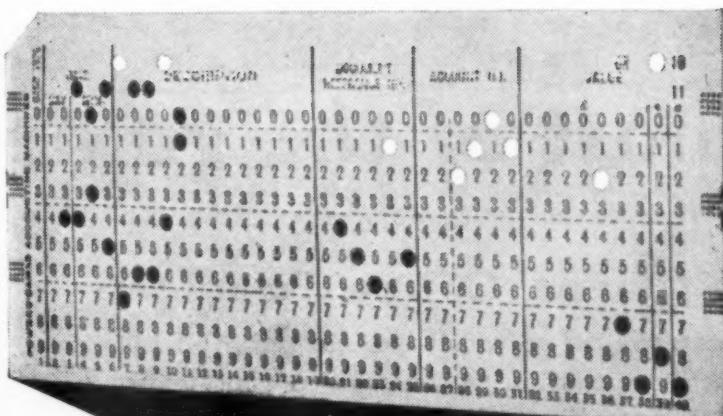
When they considered such *causes célèbres* as the *Kylsant* case on the use of secret reserves, the *McKesson and Robbins* case on stock verification, the pepper pool case on forward trans-

actions and the *City Equitable* case on asset verification, they were reminded that general practice was not always in advance of or in line with what was regarded by others as the minimum standard to be expected of them. It was true that when these matters were publicly ventilated the profession had not shirked its responsibilities, and subsequent practice had gone beyond strict legal requirements. He submitted that they should constantly review, and from time to time fundamentally examine, practices and methods, living the present rather than relying on the past.

Councillor H. V. Kirk, B.COM.S.C., F.S.A.A., J.P., proposed the toast of the guests, to which responses were made by the Lord Mayor of Belfast (Alderman R. J. R. Harcourt, J.P.) and Sir Eric Ashby, D.S.C., S.C.D., D.I.C., LL.D., Vice-Chancellor of Queen's University.

A Call for Economy

THE INCORPORATED ACCOUNTANTS' District Society of Devon and Cornwall held its dinner on November 23 at the Red Lion Hotel, Truro. Mr. F. R. Balme, F.S.A.A., President of the District Society, presided, and the guests included the Mayor of Truro (Councillor J. R. Behenna); Lieut-Colonel Sir Edward Bolitho (Lord Lieutenant of



Dear money

How much does it cost
to collect your money?

Whether you sell goods or services, run a business or control the finances of a local authority, the preparation of invoices, bills, demands (call them what you will) involves costly clerical effort.

Powers-Samas punched card methods make light work of the job. Machines do the arithmetic and produce the finished bills — swiftly, at low cost and with machine accuracy. Then they fill in their time with other accounting, costing and statistical tasks.

What does punched card equipment cost? Powers-Samas have matched their ranges of machines to the needs and budgets of the small, the medium and the large organisation.

POWERS-SAMAS

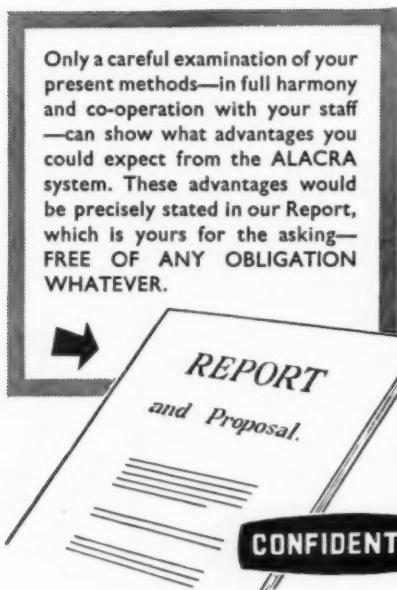
mechanical, electro-mechanical and electronic accounting machines

Powers-Samas Accounting Machines (Sales) Ltd., Powers-Samas House, Holborn Bars, London, E.C.1.

Onlookers

see most of the game!

—and so it is in the matter of



Efficient Office Procedure

where we are so widely experienced in advising on documentation in all manner of businesses and organisations — each having its own individual problems.

It is highly probable that the ALACRA system could be of great assistance to you in saving TIME, reducing COSTS, eliminating ERRORS, and promoting general EFFICIENCY.

W. H. SMITH & SON (ALACRA) LTD
WESTERN AVENUE, LONDON, W.3

E. and O. E. . . . Errors are pardonable. None of us is perfect.

But omission to cover the risks of serious consequences arising out of one's mistakes is positively dangerous.

More than one Accountant has found a whole year's profit eliminated, or has been faced with disaster, owing to an oversight. Since nobody is infallible, and as present conditions are abnormal, isn't it worth your insuring against your hard-earned profits being by

Error and Omission Eliminated?

MUIR BEDDALL & CO., LTD.

SPECIALISTS IN INDEMNITY INSURANCE

37 GRACECHURCH STREET, LONDON, E.C.3

Telephone: MANsion House 3414 (23 lines)

AND AT

MANCHESTER, PARIS, MONTREAL, LUSAKA (N. RHODESIA) AND SALISBURY AND BULAWAYO (S. RHODESIA)

Cornwall); the Lord Bishop of Truro (the Rt. Rev. E. R. Morgan, D.D.); Mr. H. O. Johnson, F.S.A.A. (member of Council of the Society of Incorporated Accountants); and representatives of other professional bodies and the Inland Revenue.

Mr. J. A. Isaac, A.S.A.A. (Vice-President of the District Society) proposed the toast of the City of Truro.

The Mayor of Truro (Councillor J. R. Behenna), in response, said that the financial restriction had severely hit the housing programme, but the city council was determined to make progress with slum clearance. Many decent people were living in conditions that made home-making extremely difficult.

Lieut.-Colonel Sir Edward Bolitho (Lord Lieutenant of Cornwall) proposed the toast of the Society of Incorporated Accountants. He said one of the best groundings for a man in any profession was to start his career in the office of a professional accountant. He knew some distinguished bankers who had done so.

Cornwall would welcome visitors who might cross the proposed Tamar Bridge, but it would face a loss in trade because many people would go to Plymouth for shopping.

Mr. H. O. Johnson, F.S.A.A. (member of the Council of the Society of Incorporated Accountants) responded to the toast. He said that Incorporated Accountants, by virtue of their training and their varied experience, could make a valuable contribution to the economic structure of the country. They were aware of the urgent need for economy in Government expenditure and in industrial and commercial costs. We had had an era of full employment, with the emergence of nationalised industries and of the welfare State, and with taxation at a very high level. Trading conditions had now changed. Industry was faced with reduced profit margins, increased overhead costs and higher wages. The time had come when increased costs could no longer be passed on to the customer: prices must be stabilised or reduced, particularly in the export market. Price restraint inferred wage restraint and the utmost economy in production costs and overheads. Plant must be replaced and modernised, and this was increasingly difficult because so much of the available surpluses was taken in taxation.

Few Boards of directors were not making every effort to reduce costs and to increase productivity. Similar economy must be exercised in Government Departments and nationalised industries and in the welfare State.

Reduced taxation would give greater incentive to all. In particular, the level at which surtax became payable should be raised, and the incomes of husband and wife should not be aggregated for surtax purposes.

Mr. F. R. Balme, F.S.A.A. (President of the District Society) proposed the toast of the guests. A response was made by the Lord Bishop of Truro (the Rt. Rev. E. R. Morgan, D.D.).

Goodwill

THE INCORPORATED ACCOUNTANTS' SOCIETY of Swansea and South West Wales held a dinner at the Osborne Hotel, Mumbles, Swansea, on November 26. The chair was occupied by Mr. George E. Gibbs, F.S.A.A., J.P., President of the District Society, and the guests included the Mayor of Swansea (Councillor Harry Libby, J.P.); Sir George Curtis, C.B. (Chief Land Registrar); Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants); the Mayor of Neath (Alderman Richard Smith, J.P.); the Mayor of Llanelli (Alderman F. Howells, J.P.); the Mayor of Carmarthen (Alderman E. C. Jones, J.P.); The Venerable J. J. A. Thomas; Mr. J. S. Fulton, M.A. (Principal of Swansea University College); Mr. Bertram P. Charles (Registrar of Swansea and Neath Courts); and others representative of professional and civic life in the area.

Sir George Curtis, C.B. (Chief Land Registrar), proposed the toast of the Society of Incorporated Accountants. He said that although accounts had been kept for thousands of years, the profession of accountancy has emerged only in the last hundred years or so. It would be pleasant to say that the enormous spread of the practice of keeping accounts by double entry was due to a universal appreciation of the business aid that accountancy gave. But he was afraid the true reason was the problem of satisfying the income tax authorities.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants), responding to the toast, said there appeared as an asset in many balance sheets and in most group balance sheets an item called goodwill. He did not propose even to outline the many methods of valuing goodwill, but he would indicate some considerations that seemed to him to be of importance.

Every undertaking, whether com-

mercial or professional, required an organisation to conduct its affairs, and the strength of that organisation would not only affect the valuation of goodwill but might well be its essence. What was meant by a strong organisation? Surely one in which integrity, efficiency and personality were each present in great measure.

Integrity would include dealings with customers, suppliers or clients and those third parties who relied on one's good faith and one's respect of the public interest. It involved fairness and frankness and a genuine attempt to do right by all men.

Efficiency was sometimes regarded as synonymous with ruthless impersonal automation. For a while such methods might succeed in terms of expansion and increased profits—but autocratic power so applied was likely to engender fear, self-seeking individualism and general distrust, which might well in time weaken the structure. Surely efficiency implied the full employment of men and machines, having in mind a fair and full reward for the former and congenial conditions of work with a reasonable degree of relaxation, while machines would be as up to date as the financial resources allowed, and used for the maximum of running hours per day. The directors of the company were responsible for determining its policy and the use of its resources. This involved a careful assessment of future capital requirements and of what was a fair share of the annual surplus or profit to be paid to the shareholders. Efficiency was thus a synthesis of good labour relations and deployment and employment of resources, with a due appreciation of Christian principles in all one's dealings. It followed that the individual should develop and use his abilities to the full.

The last of the three characteristics to which he had referred, continued Sir Richard, was personality. It was unnecessary to enumerate all the qualities this term might embrace, but they would all readily agree that it was not synonymous with loquacity, verbosity or pomposity. Kindliness, friendliness, sportsmanship and courage, with an appreciation of the other fellow's point of view, might well cover most of what they had in mind, but he suggested they might add humility, tolerance and patience.

He thought they would agree that those characteristics were the real criteria on which that intangible asset goodwill, be it quantified or not on a balance sheet, was founded.

To them, in the profession of accountancy, goodwill was the foundation of their standing and success.

Mr. G. A. Watkins, F.S.A.A., proposing the toast of "Our Civic Governors," said that Swansea in the current financial year was spending £5.5 million of revenue and £3 million of capital.

The Mayor of Swansea (Councillor Harry Libby), in response, said that Swansea had every reason to be proud of its rebuilding and of the goodwill shown to it by other towns in Wales.

Mr. George E. Gibbs, F.S.A.A. (President of the District Society), proposed the toast of the guests. Mr. Bertram P. Charles, J.P. (Registrar of Swansea and Neath), and Mr. H. E. Cox (H.M. Inspector of Taxes), responded.

Examinations—May, 1957

THE SOCIETY'S EXAMINATIONS will be held on the following dates:

Preliminary: May 7 and 8.
Intermediate: May 9 and 10.
Final: Part I May 7 and 8.
Part II May 9 and 10.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne and Southampton.

Completed application forms, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate, £4 4s.; Preliminary, £3 3s.) must reach the Secretary at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, not later than Wednesday, March 20, 1957.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

Membership

THE FOLLOWING PROMOTIONS in, and additions to, the membership of the Society have been completed during the period September 7 to December 6, 1956.

Associates to Fellows

BUSSELL, Donald Arthur (Russell, Tillett & Co.), London. COTTERILL, William Henry, Birmingham. FOX, Margaret (Howard, Howes & Co.), London. GREEN, Michael Anthony (Thornton & Thornton), Horsham. HOLYLAND, Sidney Alfred (S. & S. A. Holyland), Leicester. LAMBERT, John Leonard (John Winn & Co.), Newcastle upon Tyne. McCOMBE, Barbara Bramwell (Bertram Bramwell & Co.), Southport. MASTERS, Leonard Edward Victor (Walpole & Co.), Worthing. MILLER, Angus Charles Donald (A. J. Palmer & Co.), Fareham. MOORE, Harry Anthony Colin (Stephenson, Smart & Co.), Liverpool. PERREN, Dennis Charles, & Co.), Spalding. PAINE, Cyril, Barking. PALMER, Peter Harwood (Prior & Palmer), Nottingham. REES, Mark Jacob, Leicester. REYNOLDS, Jack (Goldie, Campbell & Robins), Hull. SCOTT, Thomas Stewart (R. D. Munro & Co.), London. SIZMUR, John Arthur George (Lomax, Clements & Co.), London. STEAD, Brian Charles (Windsor, Stead & Co.), Leeds. THOMAS, William Albert (Thompson & Wood), Hereford. TURNER, Harold, with National Chamber of Milling, Johannesburg. VAN WTBURGHE, Charles Georges Mary Hans William (C. Van Wtberghe), Halifax. WADGE, Desmond Fenwick (Forster, Scollick & Co.), Newcastle upon Tyne. WHITTINGHAM, Douglas Brown (Harper, Kent & Wheeler), Shrewsbury. WINTERBOTTOM, Derek Edward (Barron & Barron), York.

Associates

AYLEN, Charles Eric, B.COM., with Wood, Mair & Co., Sunderland. BALE, Douglas Henry, B.A., with Dennis L. Dougan, Taunton. BRODE, Henry, with H. Tarley & Co., Cape Town. BURROWS, Norman John, with Morgan, Davies, Phelps & Co., Bristol. BUTLER, Robin William, with Deloitte, Plender, Griffiths & Co., London. CHAKRABARTI, Nirendra Chandra, formerly with D. Basu & Co., Calcutta. CHAPMAN, Jonothan, with Lithgow, Nelson & Co., Southport. CLAPPE, Michael Norman, with Whiteley Brothers, Johannesburg. CONNOLLY, Neil Philip, with Gerald J. Moore, Dublin. DAWSON, Hector Skene (Charles L. Townend & Co.), Sowerby Bridge. DE CLERCQ, Wouter Matthys, with Deloitte, Plender, Griffiths, Annan & Co., Johannesburg. DU TOIT, Charles Sidney, with A. L. Palmer, Walker & Co., Johannesburg. EASTWOOD, John David, with S. R. Fuller & Co., Leeds. FEARON, Hugh Patrick, with E. G. Bresnan & Co., Liverpool. FIELDER, Michael Hilton, with Windsor, Stead & Co., Leeds. GOWER, Colin Thomas, with MacIntyre, Hudson & Co., London. HANSON, John Christopher (Frank W. Hanson & Co.), Castleford. HOLMES, Alvin James, with Deane & Thresher, Bloemfontein. HOSKINS, Ronald Frederick, with Owen West & McGregor, Reading. HUMPHREYS, Robert Leonard, with Simpson Wreford & Co., London. JACKSON, Peter Humphrey, with Barton, Mayhew & Co., London. JONES, Stanley Rickman (F. L. Gardiner & Co.), Scarborough. KEANE, John Michael, with Hughes & Allen, London. KING, Peter Francis Morrison, with Francis F. King & Son, London. LEVERETT, Hugh Arthur, B.A., with Deloitte, Plender, Griffiths & Co., London. MATHIAS, Ronald James, formerly with Alfred S. John & Co., Pontypridd. MILLS, Robert McNeill (D. T. Carson & Co.), Ballymena. MOLL, Jacobus van Belkum, with Stewart, Steyn & Co., Johannesburg. NEL, Petrus Jacobus, with Meyer, Nel & Co., Johannesburg. ORGAN, Neville John, with Deloitte, Plender Griffiths, Annan & Co., Johannesburg. OSBORNE, Robert Douglas, with Nevill, Hovey, Smith & Co., Plymouth. PATTERSON, Keith William, with R. Duncan French & Co., Liverpool. PERREN, Dennis Charles,

with Edward Moore & Sons, London. PESCU, George Brian, with Joshua Wortley & Sons, Sheffield. PHILLIPS, Derek Roy, with S. J. Dudbridge & Sons, Stroud. PHILLIPS, Peter Harold, with C. R. Foot, Fox & Co., Southampton. RAHMAN, Rezaur, formerly with Mirza M. Hussain & Co., Dacca, E. Pakistan. RUSSELL, Donald Ridley, with Painter, Mayne & Walker, London. SMITH, Eric Herbert, with Deloitte, Plender, Griffiths & Co., London. SMITH, Hugh Atherstone, with Deloitte, Plender, Griffiths, Annan & Co., Johannesburg. STONE, Kenneth, with Dutton, Moore & Co., Hull. TYZACK, Ronald (Christopher Smith & Co.), Sheffield. WALKER, John Brian, with Stephenson, Smart & Co., London. WASHKANSKY, Arnold, with H. Tarley & Co., Cape Town. WHIGHT, Anthony Charles Patrick, with Lord Foster & Co., London.

Council Meeting

A MEETING OF the Council was held on December 5. There were present: Sir Richard Yeabsley (President), Sir Frederick Alban, Mr. A. Stuart Allen, Mr. F. V. Arnold, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. Mervyn Bell, Mr. C. V. Best, Mr. A. Blackburn, Mr. W. R. Booth, Professor F. Sewell Bray, Mr. Henry Brown, Mr. W. F. Edwards, Mr. E. Cassleton Elliott, Mr. James S. Heaton, Mr. J. A. Jackson, Mr. Hugh O. Johnson, Mr. H. L. Layton, Mr. C. Yates Lloyd, Mr. Festus Moffat, Mr. Bertram Nelson, Mr. P. D. Pascho, Mr. S. L. Pleasance, Mr. Fred A. Prior, Mr. J. W. Richardson, Miss P. E. M. Ridgway, Mr. P. G. S. Ritchie, Mr. W. G. A. Russell, Mr. R. E. Starkie, Mr. C. H. Sutton, Colonel R. C. L. Thomas, Mr. E. J. Waldron, and Mr. Richard A. Witty.

Integration Schemes

The Council approved projected schemes of integration with the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland.

Approval was given to a memorandum to be circulated to members, explaining the schemes and recommending their acceptance.

The memorandum is reproduced on pages 8-14 of this issue.

Exemption from the Preliminary Examination

The Council resolved on an amendment to the Bye-laws, the effect of which is explained in paragraph 8 of the memorandum to members (see page 10 of this issue).

Membership

Approval was given, subject to payment of fees, to applications for admission to membership of the Society, for advancement to Fellowship and for registration as members in retirement.

Resignations

It was reported that the following members had resigned from the Society: BROWN, Reginald Sydney (Associate) Edinburgh; HAINES, Thomas Henry (Associate) Uckfield; LAWSON, John Miller Cochrane (Fellow) London; LOWE, John Tyldesley (Fellow) Kendal; TELFER, John (Fellow) Newcastle upon Tyne.

Deaths

The Council received with regret a report of the deaths of the following nine members: CHESHAM, Walter (Associate) Bristol; HOLMES, Tom Alexander (Fellow) Springs, South Africa; JONES, Arthur Humphreys (Fellow) Bridgwater; MANNSUER, Alfred William (Fellow) Liverpool; MOULTON, William Peckett (Fellow) Barnsley; MUMFORD, William Augustus (Fellow) Kidderminster; POLLARD, Leslie Arthur (Fellow) Bournemouth; THOMAS, Clement Evans (Fellow) Bradford; WHITTAKER, James (Associate) Burnley.

Events of the Month

January 2.—*London*: Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

January 4.—*Birmingham*: "Executorship—Death Duties and Apportionments," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Law Library, Temple Street, at 6.15 p.m.

Gloucester: "Recent Case Law on Contract and Sale," by Mr. D. A. Godwin Sarre, M.A., Barrister-at-Law. Gloucester and Technical College, Brunswick Road, at 6.30 p.m.

Leeds: Dinner dance. Queen's Hotel, at 7.30 p.m.

Manchester: "Income Tax," by Mr. N. D. B. Robinson, M.B.E., A.S.A.A. Students' meeting. 90 Deansgate, at 6 p.m.

Norwich: Discussion: "Automation and Accountancy." Royal Hotel, at 7 p.m.

January 7.—*Hull*: Luncheon meeting. New Manchester Hotel, at 12.50 p.m.

January 8.—*Bournemouth*: "Topical Economic Problems," by Mr. A. R. Illesic, M.Sc.(ECON.), B.COM. St. Peter's Small Hall, Hinton Road, at 6.30 p.m.

Leeds: Joint quiz meeting with other professional bodies. Insurance Institute Room, Eagle Star Buildings, 16 Park Place, at 6.45 p.m.

Portsmouth: "Fraud," by a member of the local C.I.D. Gas Undertaking's Demonstration Room, at 6.30 p.m.

Swansea: "Cost Information for Management," by Mr. J. K. Anthony, A.S.A.A., A.C.W.A. Gas Showrooms, The Kingsway, at 6.45 p.m.

January 9.—*London*: Management Group meeting. "Allocation of Expenses," by Mr. John Naylor, A.S.A.A. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

Stockton: "Partnership Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Spark's Café, High Street, at 6.30 p.m.

January 10.—*Birmingham*: Luncheon meeting. Imperial Hotel, Temple Street, at 1 p.m. *Grimsby*: "Auditing," by Mr. E. Edwards, M.B.E., A.A.C.C.A. Chamber of Commerce, 77 Victoria Street, at 7.30 p.m.

Newcastle upon Tyne: "Partnership Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Library, 52 Grainger Street, at 6.15 p.m.

January 11.—*Birmingham*: "Budgetary Control," by Mr. D. A. J. Manser, A.C.A., A.C.W.A. Joint meeting. Chamber of Commerce, New Street, at 6.30 p.m.

Bristol: "20th Century Touch." Film by British Tabulating Machine Co. Ltd. Students' meeting. Royal Hotel, College Green, at 6.30 p.m.

Carlisle: "Group Accounts," by Mr. D. J. Boggie, Ph.D., C.A. County Hotel, at 6.30 p.m.

Glasgow: "Company Flotations," by Mr. J. Stanley Stewart, LL.B., Solicitor. Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.

Hull: "The Elements of English Law," by Mr. H. K. Bevan, LL.B. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.

Leicester: "Capital Allowances," by Mr. V. S. Hockley, B.COM., C.A. Students' meeting. Bell Hotel, Humberstone Gate, at 6 p.m.

Llandudno: Mock Income Tax Appeal, in association with H.M. Inspectors of Taxes. Station Hotel, Llandudno Junction, at 7.30 p.m.

Manchester: "Income Tax," by Mr. N. D. B. Robinson, M.B.E., A.S.A.A. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

Nottingham: "Voluntary Liquidation," by Mr. A. V. Hussey, F.S.A.A. The Reform Club, Victoria Street, at 6.30 p.m.

Sheffield: "Court Procedure," by Mr. D. F. Banwell. Students' meeting. Grand Hotel, at 5.30 p.m.

Truro: "Company Law," by Mr. R. D. Penfold, Barrister-at-Law. Mansion House, Princes Street, at 6 p.m.

Waterford: Lecture by Mr. C. S. Jacob, Stockbroker. Students' meeting. Offices of Messrs. W. A. Deevy & Co., Broad Street, at 8 p.m.

January 12.—*Swansea*: "Meaning and Measurement of Income," by Mr. David Solomons, B.COM., A.C.A. Students' meeting. Y.M.C.A., The Kingsway, at 10 a.m.

January 14.—*Coventry*: "Internal Auditing," by Mr. T. E. Whiteside, A.C.A. Rose and Crown Hotel, High Street, at 6.15 p.m.

Manchester: "Some Aspects of Automation," by Mr. J. A. Hunt, M.B.E. Joint meeting. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

January 15.—*Liverpool*: Brains Trust, in association with H.M. Inspectors of Taxes. Incorporated Accountants' Hall, at 5.30 p.m.

January 17.—*Wolverhampton*: "Group Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Star and Garter Hotel, at 6.15 p.m.

January 18.—*Birmingham*: Film show by Powers-Samas Accounting Machines (Sales)

Ltd. Law Library, Temple Street, at 6.15 p.m.

Blackpool: "Negotiable Instruments," by Mr. J. Stewart Oakes, Barrister-at-Law. Jenkinson's Café, Talbot Square, at 7.30 p.m.

Cambridge: "Investigation from the Point of View of a Purchaser of a Business," by Mr. A. C. Simmonds, F.S.A.A. Shire Hall, at 7.15 p.m.

Manchester: "Income Tax," by Mr. N. D. B. Robinson, M.B.E., A.S.A.A. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

Sheffield: "Surtax Directions on Limited Companies under Section 245, Income Tax Act, 1952," by Mr. P. Shelbourne, Barrister-at-Law. Grand Hotel, at 5.45 p.m.

January 19.—*Waterford*: Students' annual dinner and dance. Grand Hotel, Tramore, at 7 p.m.

January 22.—*Belfast*: Debate: At invitation of Solicitors' Apprentices' Debating Society. Students' meeting. Library, at 7 p.m.

January 23.—*Shrewsbury*: "Partnership Law and Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Crown Hotel, at 6.30 p.m.

January 24.—*Bristol*: "The Presentation and Interpretation of Accounts," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Royal Hotel, College Green, at 6.30 p.m.

Dublin: "Powers, Duties and Liabilities of Directors," by Mr. R. F. Christopher. Students' meeting. Presbyterian Association, 16 St. Stephen's Green, at 6.15 p.m.

Gloucester: Films—"Electronic Computers," by Powers-Samas Accounting Machines Ltd. Gloucester Technical College, Brunswick Road, at 6.30 p.m.

Lincoln: "Profits Tax," by Mr. A. O. Brown, H.M. Inspector of Taxes. The Great Northern Hotel, at 6.30 p.m.

Oxford: "Receiverships for Debenture Holders," by Mr. O. Griffiths, M.A. LL.B. Students' meeting. George Restaurant, at 6.30 p.m.

January 25.—*Birmingham*: "The Companies Act as affecting Private Companies," by Mr. S. H. Alloway, B.A., A.C.I.S., A.M.I.I.A. Law Library, Temple Street, at 6.15 p.m.

Brighton: "Group Accounts," by Mr. L. J. Northcott, F.C.A. Students' meeting. The Clarence Hotel, North Street, at 5 p.m.

Hull: "A General Introduction to Economics," by Mr. C. R. Curtis, M.Sc.(ECON.), Ph.D., F.C.I.S. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.

Manchester: "Economics," by Mr. A. R. Illesic, M.Sc.(ECON.), B.COM. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

Sheffield: "Basic Principles of Punched Card Accounting," and a film "The Elements of Punched Card Accounting," by Powers-Samas Accounting Machines (Sales) Ltd. Students' meeting. Grand Hotel, at 5.30 p.m.

Waterford: "Corporation Profits Tax and Surtax," by Mr. F. N. Kelly, B.A., F.S.A.A. Students' meeting. Offices of Messrs. W. A. Deevy & Co., Broad Street, at 8 p.m.

Worcester: "Executorship," by Mr. R. Glynn Williams, F.C.A., F.T.I.I. Crown Hotel, Broad Street, at 6.30 p.m.

January 28.—Colchester: "Company Law," by Mr. R. D. Penfold, Barrister-at-Law. Joscelin Café, High Street, at 7 p.m.

Coventry: "Contract Law," by Mr. C. L. Lawton, M.Sc., LL.M. Rose and Crown Hotel, High Street, at 6.15 p.m.

Luton: "Auditing Case Law and the Auditor's Liability," by Mr. R. Glynn Williams, F.C.A., F.T.I.I. Students' meeting. Chamber of Commerce, at 6.15 p.m.

January 30.—Oxford: Demonstration of machine accounting, by Burroughs Adding Machines Ltd. George Restaurant.

January 31.—Dublin: Debate with Dublin Chartered Students. The Mills Hall, 8 Merrion Row, at 7 p.m.

Grimshy: "Oversea Profits and their Taxation including Double Taxation Relief," by Mr. J. W. Walkden, A.C.A., A.S.A.A. Chamber of Commerce, 77 Victoria Street, at 7.30 p.m.

Hull: Dinner. Guildhall.

Newcastle upon Tyne: "Amalgamations, Absorptions and Reconstructions," by Mr. V. S. Hockley, B.COM., C.A. Library, 52 Grainger Street, at 6.15 p.m.

Nottingham: Mock creditors' meeting of limited company. The Reform Club, Victoria Street, at 6.30 p.m.

February 1.—Birmingham: "A Case Study in Standard Costing," by Mr. P. N. Wallis, A.S.A.A., A.C.I.S. Law Library, Temple Street, at 6.15 p.m.

Bradford: Demonstration of Machine Accounting, by Powers-Samas Accounting Machines (Sales) Ltd. Victoria Hotel, at 6.15 p.m.

Bristol: "Estate Duty and Controlled Companies," by Mr. P. Shelbourne, Barrister-at-Law. Students' meeting. Royal Hotel, College Green, at 6.30 p.m.

Glasgow: "Stock Exchange Practice," by Mr. Alan M. Macaulay. Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.

Leicester: "Standard Costing," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Bell Hotel, Humberstone Gate, at 6 p.m.

Manchester: "Company Law," by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

Norwich: "Auditing," by Mr. L. J. Northcott. Royal Hotel, at 7 p.m.

February 4.—Hull: Luncheon meeting. New Manchester Hotel, at 12.50 p.m.

Sheffield: Lecture by Mr. E. Crump, City Editor, *Sunday Times*. Grand Hotel, at 5.45 p.m.

February 5.—Birmingham: Students' dance. St. John's Restaurant, Deritend, at 8 p.m.

Swansea: "Electronic Computers," by Powers-Samas Accounting Machine Co. Ltd. The Gas Showrooms, The Kingsway, at 6.45 p.m.

February 6.—Bradford: "Deeds of Arrangement," by Mr. A. B. Mitchell, LL.B. Victoria Hotel, at 6.15 p.m.

London: Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

Oxford: "Mechanised Accounting and the Auditors," by Mr. L. W. Shaw, B.Sc., A.S.A.A. Students' meeting. Kemp Restaurant, at 6.30 p.m.

have admitted into partnership Mr. A. W. Toze, A.S.A.A.

Messrs. W. B. Powell, Kirby & Co., Northampton, have taken into partnership Mr. E. J. Stone, A.S.A.A.

Messrs. Flint & Thompson, Chartered Accountants, Birmingham, have taken into partnership Mr. A. G. Bateman, A.C.A., A.S.A.A.

Mr. A. Hodgkinson, Incorporated Accountant, is now in public practice at 14 Ashcroft Gardens, Cirencester.

Mr. William E. Bracewell, A.S.A.A., has taken Mr. D. S. Sugden, A.S.A.A., into partnership in his firm of Maurice Bailey & Co., Incorporated Accountants, Bradford. Mr. Sugden has been with him for several years.

Mr. George T. Buckenham, Incorporated Accountant, advises that his partnership with Mr. H. Hope in the firm of Hope, Buckenham & Co. has been dissolved. He is now practising alone under the firm name of Geo. T. Buckenham & Co. at 29 Thorne Road, Doncaster.

Personal Notes

Mr. H. Shepherd, F.S.A.A., and Mr. J. Holt, A.S.A.A., Leeds, formerly practising as R. C. Mundy, Shepherd & Co., announce that the style of their firm has been changed to Shepherd, Holt & Co., Incorporated Accountants.

Mr. C. W. Sharp, Incorporated Accountant, has taken up an appointment as director of the Wakefield Express Series Ltd., Wakefield. The practice formerly carried on by him at Leeds has been transferred to Messrs. Windsor, Stead & Co.

Messrs. Charles L. Townend & Co. and Messrs. Bach & Co., Halifax and Bradford, announce that the practices have been amalgamated. The combined practice is being carried on at the same addresses under the style of Bousfield, Waite & Co., Incorporated Accountants. Mr. H. S. Dawson, A.C.A., A.S.A.A., and Mr. G. Pickles, A.S.A.A., both of whom have been associated with Mr. Bousfield for many years, have been admitted into partnership.

Mr. H. N. Grocock, B.COM., A.S.A.A., has been appointed chief accountant at Chemstrand Ltd., London, S.W.1.

Mr. Donald S. Moxham, A.S.A.A., is now accountant to Leigh Thomas & Co. Ltd., Newport, Isle of Wight.

Mr. G. C. Salisbury, Incorporated Accountant, practising as Salisbury & Co. at Woodbridge, Suffolk, announces that he has taken into partnership Mr. R. B. Brewster, A.S.A.A. The style of the firm is unchanged.

Messrs. Harper-Smith, Moore & Co., Norwich and Felixstowe, announce that they have taken into partnership Mr. R. H. Earp, A.S.A.A., and Mr. J. C. Swindells, A.S.A.A., both of whom have been associated with the firm for some time.

Messrs. Alexander, MacLennan, Trundell & Co., Nairobi, inform us that Mr. J. Knoll, A.S.A.A., who has been with them for a number of years, has joined them as a partner.

Mr. W. J. Parker, A.S.A.A., has been appointed chief accountant to Addressograph-Multigraph Ltd., Hemel Hempstead.

Mr. W. F. Harris, A.S.A.A., has been appointed controller of Briggs Motor Bodies Ltd., Dagenham.

Messrs. Murray Nathan & Co., Incorporated Accountants, London, W.1, have opened an additional office at 314-320 Ladbroke Grove, London, W.10.

Messrs. J. E. Denney, Bogle & Co., Incorporated Accountants, London, E.C.3,

Removals

Messrs. Bingham Jones & Co. announce that their address is now The Manor House, Marlow Road, Maidenhead, Berks.

Messrs. Percy Walker, Simpson & Co., Incorporated Accountants, have removed their offices to 45 Richmond Road, Cardiff.

Messrs. Eric G. W. Scott & Co., Incorporated Accountants, announce a change of address to 33 Victoria Avenue, Southend-on-Sea.

Mr. Wilfred Tullett, Incorporated Accountant, has moved his office to District Bank Chambers, 57 Bridge Street, Evesham.

Messrs. David Carton & Co., Incorporated Accountants, announce that their new address is 20 Earlsfort Terrace, Dublin.

Obituary

Arthur Humphreys Jones

WE REGRET TO record the death of Mr. A. H. Jones, F.S.A.A., a partner in Messrs. Butterworth, Jones & Co., Bridgwater. Mr. Jones served his articles in Cardiff with Mr. A. B. Watts, F.S.A.A. In 1924, after his admission to membership of the Society of Incorporated Accountants, he went to South America and spent some years as accountant in various branches of Messrs. Duncan, Fox & Co., merchant bankers. He returned to this country in 1930, and since then has been in practice in Bridgwater and elsewhere, in partnership first with the late Mr. H. M. B. Ker, F.S.A.A., J.P., and latterly with other Incorporated Accountants.

ACCOUNTING RESEARCH

PUBLISHED FOR THE INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE

Edited by Professor F. Sewell Bray and Leo T. Little

CONTENTS OF VOLUME 7, NUMBER 4—OCTOBER, 1956

The Effect of Derating and Rerating on Industrial Costs, by a RESEARCH GROUP.

Inflation, Inventory Valuation Methods and Business Cycles, by ALAN ROBERT CERF.

Cost Accounting for a Small Manufacturing Concern, by ROBERT G. ALLYN.

Accounting in Relation to Law, by H. McCREDIE.

Capital Changes, by F. SEWELL BRAY.

BOOK REVIEWS : NOTES

ACCOUNTING RESEARCH is published quarterly. Single parts cost 7s. 6d., plus postage. Subscription 25s. post free for volume of four parts. Enquiries should be sent to any bookshop or direct to the address below.

CAMBRIDGE UNIVERSITY PRESS

BENTLEY HOUSE, 200 EUSTON ROAD, LONDON, N.W.1

Invest in TRUSTEE SECURITIES

★ THE CITY OF YORK is prepared to accept loans of £100 or upwards in multiples of £50. ★ INTEREST at £5 10s. 0d. per cent., per annum, for fixed periods of two, three, five or seven years. ★ Loans are repayable in full at the expiration of the selected period and the interest cannot be altered during this period. ★ Mortgage Deeds are prepared and stamped free of cost to Investors. ★ Interest is payable half-yearly on 1st January and 1st July. ★ Application forms and further particulars are obtainable from THE CITY TREASURER, 1 ST. LEONARD'S PLACE, YORK.

Hotels and Restaurants

Since 1899 Hammersley, Kennedy & Co. have specialised in the sale and valuation of hotels and catering businesses, to the total exclusion of any other branch of estate agency. The partners are members of the leading professional bodies.

Offices:
19 HANOVER SQUARE, LONDON, W.1
Telephones: MAYfair 6857 and CROsvenor 4950

Classified Advertisements

Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . , c/o ACCOUNTANCY, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS VACANT

THE SOCIETY'S APPOINTMENTS REGISTER
Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

NIGERIAN PORTS AUTHORITY

has vacancies for:

(1) SENIOR ACCOUNTANTS (M3B/43099/AD). Candidates should be under 45 years of age and preferably in possession of a recognised professional qualification. They must have at least five years' commercial experience in a responsible post, preferably a large-scale Transport undertaking or a Port or Harbour authority. Successful applicants will be required to take complete control of the Accounts Department of one of the Authority's major installations, including the pay of a large labour force. They may also be required to carry out investigations into the various activities of the Authority, under the direction of the Chief Accountant.

(2) ACCOUNTANTS (M3B/43655/AD). Candidates should be under 45 years of age, and a recognised professional qualification would be an advantage. They must have had at least five years' commercial experience in a responsible post, preferably a large-scale Transport undertaking or a Port or Harbour authority. They will be required to work under the control of a Senior Accountant at one of the Authority's installations, or may be required to take charge of a smaller station as directed by the Chief Accountant.

Salary will be within the following ranges:
(1) Basic pay £1,450—£1,700 plus Overseas Pay £300 per annum (where appropriate).

(2) Basic pay £960—£1,300 plus Overseas Pay £240—£300 per annum (where appropriate).

Successful candidates may also be eligible for Qualification Pay amounting to £75 p.a. (non-negotiable). Appointment will be for one tour in the first instance. Thereafter subject to satisfactory service on a permanent basis. Non-contributory Pension Fund. Tours normally 12/18 months. Leave on basis of 7 days for every completed month of service. Free First-Class passages for Officer and wife. Additional passages and allowances for children. Furnished accommodation provided at reasonable rental.

Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote the reference shown against relevant post.

ACCOUNTANT required by GOVERNMENT of NORTHERN REGION of NIGERIA for one tour of 12-24 months in first instance. Salary according to experience in scale (including inducement addition) either £780 rising to £1,680 with prospect of permanency, or £840 rising to £1,824 a year on temporary contract with gratuity at rate of £100/£150 a year, clothing allowance £45. Free passages for officer and wife. Assistance towards children's passages and grant up to £288 annually. Liberal leave on full salary. Candidates, preferably not over 45, must have had at least five years' good accountancy experience in a bank, firm of Accountants, office of City or Borough Treasurer, financial branch of Government Department, or public company. They must have organising ability and be able to control staff. Possession of a recognised professional accountancy qualification an advantage. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience, and quote M1B/43070/AD.

ACCOUNTANT required by MAURITIUS GOVERNMENT Agricultural Department on two years' probation for permanent employment. Salary scale (including temporary cost of living allowance) equivalent to £959 rising to £1,407 a year. Tour of 3-4 years. Free passages. Liberal leave on full salary. Candidates who must be members of a recognised body of professional accountants should have had considerable commercial experience. Experience of cost accounting an advantage. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M1B/43795/AD.

ACCOUNTANT required. Interesting and varied work with good prospects. Write experience and salary required. PEARCE SIGNS LTD., New Cross Road, S.E.14.

AN OPPORTUNITY prevails within the Organisation of CHRYSLER MOTORS LTD., Mortlake Road, Kew Gardens, Surrey, for a non-qualified accountant having a good commercial background. This position, calling for a sound general knowledge and a strong personality would be most attractive to candidates in the 40 to 50 age brackets. Please forward fullest detail to Personnel Manager.

APPLICANTS with the necessary experience requiring BETTER positions as Senior, Semi-senior and Junior AUDIT CLERKS should contact us. We have a good selection. Other Professional and Commercial posts available. HOLMES BUREAU, 10 Queen Street, E.C.4. City 1987.

ASSESSORS required for Investigation Branch of EAST-AFRICAN INCOME TAX DEPT. on two years' probation for admission to permanent and pensionable establishment. Salary according to age and experience in scale (including Inducement Pay) £939 rising to £1,863 a year. Outfit allowance £30 in certain circumstances. Free passages. Liberal leave on full salary. Candidates, not over 45, must be members of a recognised body of professional accountants, preferably with experience of tax work. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M1B/43770/AD.

ASSISTANT CHIEF ACCOUNTANT GEORGETOWN, BRITISH GUIANA

Chartered, Incorporated or Certified Accountant with at least five years' commercial or industrial experience required for company with international affiliations. Starting salary between £1,500 and £2,000 per annum. Periodic home leave with passages paid, pension plan and other benefits. For interview write to Box X.199, c/o STREETS, 110 Old Broad Street, E.C.2.

ASSISTANT ACCOUNTANT required by an old established company manufacturing and marketing nationally advertised products, age 25-35 years with the following qualifications: good commercial accounting ability, capable of preparing periodic operating statements, knowledge of budgetary control and the ability to keep in step with the future growth of a very progressive organisation. Remuneration £800 per annum. A unique non-contributory family security scheme is in operation and prospects for future advancement are excellent. Write stating age, details of experience and salaries earned, to Mr. Linton, Commercial Manager, THREE HANDS PRODUCTS LTD., South Grove, South Tottenham, London, N.15. Replies will be treated in strictest confidence.

AUDIT CLERKS. Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

CANADIAN FIRM servicing troops in Germany requires single accountant under 25, not necessarily qualified, to act as deputy to the Assistant Chief Accountant. Commencing salary C \$175 per month. No taxes payable and there are other benefits. Apply giving full details of age, education, professional qualification, experience and names of two referees one of whom should be your present employer, to Box No. 508, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANTS (Birmingham) require experienced Senior Clerk. Salary according to experience but not below £600 p.a. Annual increments. Exceptional opportunity for advancement. Alternate Saturdays free. Box No. 510, c/o ACCOUNTANCY.

CHARTERED OR INCORPORATED ACCOUNTANT, aged under 30, required as assistant financial accountant to large engineering company in Birmingham area. Commercial experience is not essential as this position offers a varied training in industrial and commercial work. Write giving full details to Box No. 505, c/o ACCOUNTANCY.

CITY Incorporated Accountants have vacancy for Semi-senior audit clerk. Varied practice giving opportunity to widen experience. Apply stating age, salary required, etc., to Box No. 506, c/o ACCOUNTANCY.

EXCELLENT OPPORTUNITY exists for man aged 25-28. In addition to ability to work with figures he should have general interest or knowledge of engineering machinery. Willingness to undertake some typing essential. Good prospects for the right man in connection providing a service to industry in the U.K. Qualifications not necessary but would help applicant. Commencing salary £600 p.a., pension scheme. Write full particulars to Box No. 502, c/o ACCOUNTANCY.

LARGE CITY FIRM of accountants have vacancies for qualified accountants. Salaries from £750 according to experience, plus luncheon vouchers, pension fund and paid overtime. Five-day week. Box No. 512, c/o ACCOUNTANCY.

OLD-ESTABLISHED Chartered Accountants require assistant to Manager of small branch in Sussex town, within easy reach of coast. Applicant need not necessarily be qualified. Experience of taxation essential but advanced standard not expected. Pension scheme. Please state age, experience, present salary and brief details of career to Box No. 503, c/o ACCOUNTANCY.

QUALIFIED SENIOR AUDIT CLERKS required for professional firm in SOUTHERN RHODESIA. Initial salary from £1,200 per annum according to qualifications and experience. Three-year contract, passage paid and allowance made towards wife's passage. Apply quoting OSS 51/16 to O.T.S., 5 Welldon Crescent, Harrow, Middlesex.

SECRETARY, aged 35-45, required by Light Engineering Company in the West Midlands: applicants should have previous commercial experience and knowledge of costing and mechanised accounting; the vacancy may not be immediate but will carry excellent prospects with a seat on the Board if satisfactory; commencing salary according to age and experience but not less than £1,500. Apply in first instance in writing to Box No. 504, c/o ACCOUNTANCY.

THE MILK MARKETING BOARD offers opportunities for young men under 30 years of age who have qualified as Chartered, Incorporated, or Certified Accountants. Salary £750—£850 with scope to continue a career in the Accounts branches or to progress to managerial status in other branches of the Board's work. Particularly favourable opportunities for young men who have recently qualified. Applications in writing to Establishment Officer, Milk Marketing Board, Thames Ditton, Surrey.

UP TO £1,200 per annum offered for qualified Senior Audit Clerk by old established London firm of Chartered Accountants for responsible audit and taxation work. Apply stating age, experience, etc., to Box No. 511, c/o ACCOUNTANCY.

VACANCIES available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

WEST END TRAVEL AGENCY requires experienced and reliable persons for permanent employment for its Accounts Department. Applicants must have previous experience, the minimum at a semi-senior level in a professional office. Reply in own handwriting, giving experience and salary required to FOURWAYS TRAVEL LTD., c/o MARSHALL & SNELGROVE, Oxford Street, W.1.

APPOINTMENTS REQUIRED

AVAIL yourselves of our services in filling your Staff Vacancies—COMMERCIAL or PROFESSIONAL. Selected Applicants only. HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

CHARTERED ACCOUNTANT, specialising in incomplete records, seeks working arrangement to assist busy practitioner. Box No. 513, c/o ACCOUNTANCY.

PRACTICES AND PARTNERSHIPS

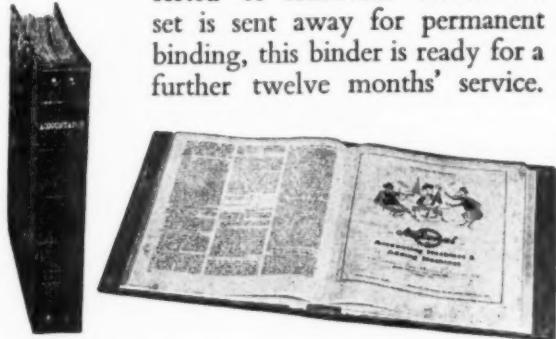
NORWICH—Busy Practitioner desires Junior Partner, or young audit clerk, proceeding to final, or would join with member having own small practice, or nucleus. Box No. 507, c/o ACCOUNTANCY.





Temporary Binders for 'ACCOUNTANCY'

Keep the current year's issues neatly and securely together. Each issue instantaneously inserted or removed. When one set is sent away for permanent binding, this binder is ready for a further twelve months' service.



*Green binders with the title in gilt lettering are now available.
Price 12s 6d each (by post 13s).*

SOCIETY OF INCORPORATED ACCOUNTANTS
INCORPORATED ACCOUNTANTS' HALL,
TEMPLE PLACE, VICTORIA EMBANKMENT, LONDON, W.C.2

ARTICLED CLERKS

REVISION TESTS by PERT for the Society's exams. Model Answers spotlight your errors; Tutorial criticism fully explains them. PRE-EXAMINATION REVISION TESTS LTD., 5 Beulah Road, Tunbridge Wells.

MISCELLANEOUS

NAME PLATES FOR ACCOUNTANTS, in bronze, brass and plastics.—Send wording and size for free estimate and layout to ABBEY CRAFTSMEN LTD., 78 Osnaburgh Street, London, N.W.1. Tel. EUSton 5722.

OLD ESTABLISHED mutual life assurance house wants a few men of initiative and integrity to act as agents. Accountants and book-keepers have the necessary knowledge and contacts to make business most profitable to us and them. Further details from Box No. 509, c/o ACCOUNTANCY.

OLD ESTABLISHED Building Society with high reserves and liquid funds requires additional investments to keep pace with its growing mortgage department. Applications for a limited number of investment agency appointments are invited from professional accountants. Write for particulars to Box No. 514, c/o ACCOUNTANCY.

THE "GROVE" SPECIALLY DESIGNED ACCOUNT BOOKS greatly simplify the book-keeping difficulties of the small businessman and trader. Clear. Complete. Scientific. Supplied to and recommended by accountants throughout the country. Specimen rulings on request. THE GROVE PUBLISHING CO., Macclesfield, Cheshire.

WAKEFIELD COLLEGE OF INCOME TAXATION LIMITED offers SPECIALISED postal tuition for those who wish to SPECIALISE in Income Taxation. Course for the Associateship Examination of the Institute of Taxation. Also non-examination courses. Prospectus free from the Principal, Dept. A6, 29 Barstow Square, Wakefield.

THE **PIONEER LIFE** ASSURANCE COMPANY LTD.

Established in 1891

— Enquiries invited for —
**Retirement Pensions
and
Purchased Life Annuities**

**All classes of Life and
Endowment Assurance
transacted**

*Substantial reductions in premiums for
larger sums assured*

Applications invited for Agency Appointments
from Professional Accountants

Chief Office:
31 DALE ST., LIVERPOOL, 2

E. IRVINE HALLAS, A.C.A. 7-9 QUEENSGATE, BRADFORD

INSTITUTE AND SOCIETY EXAMS.

Expert postal and oral tuition, based on 30 years' experience in preparing candidates for these Exams. Painstaking criticism and marking of work and prompt return of all papers is guaranteed. Moderate Fees. Tuition adapted to meet precise personal needs of each candidate. Copies of over 800 signed letters received from past students will be sent on request.



**SUN LIFE
ASSURANCE SOCIETY**
63 THREADNEEDLE STREET, LONDON, E.C.2
provides finance for the purchase of
**PARTNERSHIP SHARES
IN ACCOUNTANTS' PRACTICES**

Repayment by Endowment Assurance
No Medical Examination normally required
Loan automatically repaid on death

PENSIONS
FOR
SELF-EMPLOYED



ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY LIMITED
20, LINCOLN'S INN FIELDS, LONDON, W.C.2